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EDITORIAL

As We See It

O wad some power the giftie gie us
To see oursel's as ithers see us!
It wad frae monie a blunder free us
And foolish notion. . . .

These famous lines of the poet have repeatedly come to our mind of late, as they must have been in the thoughts of a great many realistic Americans. Reports which keep coming from across the Atlantic about fears existing in Europe that danger is inherent in what they term "Yankee impulsiveness" have, we are certain, far more deeply disturbed many thoughtful citizens on this side of the water than they seem to have troubled the politicians in and out of Washington. The question as to whether we have or we have not wholehearted allies ready to follow vigorously where we lead is a vital one to most of our foreign policy—and it rarely seems to have the careful scrutiny in official quarters that it should command.

This European situation is, however, but a part —albeit a vital part—of a larger state of affairs. The whole question has been again brought sharply to the attention of thoughtful men and women by the unconcealed nervousness of the British about our probable action in Korea now that the forces under General MacArthur's command are again on their way toward the 38th parallel. What Governor Dewey had to say in Washington late last week certainly did not reduce the need for very careful study of how we appear to all the peoples of this earth who have vital interest in what we do in many quarters of the globe.

It has long been evident that the United Nations, while hardly an admirer of Russia and

Continued on page 38

What Investment Policy Now?

By HAROLD E. AUL*
Vice-President, Calvin Bullock

Market economist expects business recession, but limited and without significance for long-term investment policy. In face of present market risks entailed from its historically high level and overhanging war scares, Mr. Aul maintains armament period guarantees sustained industrial activity providing dividends justifying current stock prices. Concludes equities are furnishing inflation-protection without premium.

I believe that we can best approach the problem of investment policy by taking an audit of the economy of the securities markets—more particularly by striking a trial balance of the pros and cons of a dynamic and risk-taking policy, namely, the purchase of common stocks. Our conclusions, derived from this audit, will suggest inferentially the degree to which we should commit funds to the shelter of so-called "riskless investments."

We find, as usual, numerous debits and credits in our trial balance. At any given time, you can always find plenty of reasons for being bearish or bullish. It is our job to strike a balance.

The first item on the debit side of our balance sheet is the threat of war. I have already set up as a major premise of our analysis the improbability of the outbreak of a major war; but this does not rule out the likelihood of other "Koreas" in various areas, including, among others, Yugoslavia, the Middle East, Indo-China, and even western Germany, carried on by the familiar Soviet tactic of mercenaries and satellites. These "incidents," carrying the threat of a full-scale war, may strike with heavy impact on investor psychology and touch off severe market breaks. While an extension of the present conflict would serve to augment the inflationary forces present in our economy and thus theoretically increase the relative attractiveness of common stocks as a defense against the debasement of money, this consideration might not prevent an hysterical selling of securities in such a crisis. It was evident after Pearl Harbor that we were in for a period of

Continued on page 36

*A talk before a group of investment bankers, Hotel St. Francis, San Francisco, February 14, 1951.

Selecting Industrial Preferred Stocks

By ROGER F. MURRAY*
Vice-President, Bankers Trust Co., New York

After describing legal and investment characteristics of preferred stocks, Mr. Murray weighs important protective features that influence their investment value. Stresses four factors in selection of preferred issues, viz: (1) analysis of stability and growth of the industry; (2) conservative and balanced capitalization; (3) stability of earning power; and (4) strong current asset protection. Stresses need of care and discretion so as to obtain sound quality stocks.

After the experiences of the early 1930s, many investors concluded that industrial preferred stocks were definitely unattractive on the grounds that they combined the limitations on profits of bonds with the risks of common stocks. As a consequence, preferred stocks as a class were held in low esteem. More recently, against the background of more than a decade of high earnings, a considerably more favorable attitude has developed, even bordering on indiscriminate acceptance of marginal issues as good quality investments. Neither this incipient optimism nor the very skeptical view of the 1930s should be accepted without investigation. As a matter of fact, it is essential that any general conclusions be related to the basic objectives sought in the selection of individual issues.

Roger F. Murray

What Is the Objective of Selection?

What is the investor seeking from industrial preferred stocks? Primarily, I presume that it is a better rate of return than that obtainable from bonds, combined with regularity of income. A secondary but important objective may be reasonably stable

Continued on page 39

*An address by Mr. Murray before the Savings Banks Bond Men of the State of New York, New York City, Jan. 10, 1951.

PHILADELPHIA TRADERS ASSN. DINNER PICTURES — Officers and Governors of the Investment Traders Association of Philadephia, also pictures taken at the Association's Annual Mid-Winter Dinne on Feb. 21 start on page 23.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

HENRY A. BOECKELER
Boeckeler Instrument Co., Tucson, Ariz.
(Formerly Security Analyst with E. Mahan Co., St. Louis, Mo.)

Alleghany Corp. 5½% Cumulative Series A Preferred

A good kind of stock to own is one that will do well in a rising market and which will also be a desirable holding in adverse time. The writer feels that Alleghany preferred, series A, is such a holding. He believes that it is an expectation situation and that it has an annual potential for appreciation amounting to 15% to 20% per year. Such a potential will go a long way to offset any decline that might otherwise be experienced due to general market influences.


H. A. Boeckeler

This issue presents two probable alternatives. Each is desirable for the buyer in the proper position personally:

(a) There is the chance that no dividend will be declared in the near future. In this case this holding will appreciate in value because all receipts from the investment portfolio which would otherwise accrue to this issue for the payment of dividends will be retained. This will of course increase the asset value behind the stock which will tend to appreciate in value. (Alleghany preferred tends to sell, of course, in relationship with its net asset value. The relationship is a loose one, but it can be observed.)

(b) The stock may be put on a $5 50 basis. In this case it is a holding which, compared with similar situations, should sell very much higher than present price of 83. Maximum expectation at present is about $213 which includes accumulated dividends of $108 plus par and call premium of $105. It would seem that on a $5.50 basis Alleghany preferred might command some such market price as 100-130.

Looking back at (a) above. Attention may be drawn to the tax saving circumstance of gain without payment of present income tax. For, if the stock is carried on borrowed money the cost of carrying it approaches a very low figure. This cost for 3% money would be only 1½% to an individual who paid a 50% tax on the top increment of his income. This 1½% is nominal when weighed against an annual potential for appreciation, as mentioned above, of 15-20% or more. (And this figure for appreciation possibility is looking at the prospects conservatively without the assumption of a bull market to enhance portfolio values.)

Alleghany's portfolio is apparently in a transitional state. Formerly a railway holding company, it has been changing character. Today it is more like an investment trust with moderate diversification of holdings. The only large railway holdings that are non-defensive in character are C. & O. and Missouri Pacific old common. These holdings are an inheritance rather than otherwise, and in the case of C. & O. are down greatly from peak positions of the past. If the Missouri Pacific stock becomes worthless the loss in asset value to the portfolio will be about $8.

The portfolio is further unbalanced by a large percentage of Pittston Co. stock. This stock has, however, mostly been received by Alleghany as dividends from C. & O. and its prominence in the portfolio is due mostly to its spectacular appreciation in value over the last 12 years. This appreciation is due in considerable part to conditions in the coal industry resulting from World War II, but it is also due very considerably to aid in finances and management given by Alleghany.

Another holding taking a large percentage place is 104,400 shares of Investors Diversified Services Inc. (traded over the counter). Cost of this block is $1,905,000, but present market is $4,200,000. The outlook is considered very favorable for this rapidly growing company selling paid-up investment certificates and mutual trust shares.

Alleghany's management has stated that "some diversification outside the railway field would be desirable." It has been in line with this policy that positions were taken in the Investors Diversified Services and also (through a joint venture) in Kirby Petroleum stock.

It is possible that passage of time will show a quality improvement in Alleghany series A preferred due to increased diversification out of the fields of railways and coal mining.

It would seem that as of today, when Alleghany preferred is selling at $83, it is cheap. This represents a discount of 42½% from the net asset value per share of $145. (This $145 figure is arrived at by the writer through a projection of the June 30, 1950, balance sheet. It might be expressed more correctly as $140-150 per share as it is not easy to calculate it too closely.) In the past, a market price of no discount or small discount has several times been the case. The market price, for example, was in the middle 80s in January, 1950, when the asset value per share was about $100. This was at the time of retirements of this issue and the prior preferred by tender. If recollection is correct, during the 1946 bull market the series A preferred sold fairly close to asset value when it was trading about $65 per share.

At the present time the war situation makes the portfolio one which perhaps could not have been more advantageously selected. The large holdings of C. & O. and Pittston Co. might be the best selections today that could be made for the placement of new investment funds. There is a good chance that the C. & O. dividend will be raised to the former annual $3 rate in the not too far distant future. Pittston has recently been discussed at length in this column. Ownership of these shares is a cheap way of owning Clinchfield Coal Co. This subsidiary is in the midst of a successful drilling program for natural gas. This, of course, is a new field of endeavor besides its principal business of mining high quality coals. It has been rumored that a very large industrial plant of a leading chemical company will be built on land owned by Clinchfield. Clinchfield has capped gas wells with an indicated flow of 25,000,000 cubic feet per day.

The writer does not know what changes have been made in the portfolio since June 30, last. Presumably Alleghany's investment directors have been active in the light of changing outlook for different groups and issues.

There is another aspect of this financial company which makes it particularly attractive. This is its activity on several levels, all benefiting the shareholder. A company is ofen of interest to the investor because of its progress in its field in so far as it shares the growth and progress of that industry. Its particular progress and vigor are also of interest. In the case of Alleghany, it may be said that the portfolio stocks are as good as can be selected on this level of consideration. The stocks held are very attractive when individually regarded. But, in addition, Alleghany gives financial and managerial help to many of the concerns in which it has an investment or where control is exercised. This aid is of great importance and has been evident in the cases of Pittston Co., the Missouri Pacific and its reorganization and in many others. Here is a plus value on a second level from the "good company" stock level.

Going along in our consideration of this situation there is the stratum of portfolio management. Alleghany has a staff active in taking advantage of market opportunities and in searching out new buying possibilities. An example recently of activity of this nature has been investment in Pacific Power & Light Co. This purchase, made along with a syndicate, yielded a profit of $1.500.-000 on an investment of $3,900.000 held something over six months. Another example is 100 000 shares of Steep Rock Iron Mines Ltd. bought at $1.31 per share and now quoted at about $8.50. Joint Venture holding Kirby Petroleum has a profit in this stock of about 17% on 101,000 shares. This position has existed for some months only. The Joint Venture agreement provides that Alleghany be secured against any loss but that it would share 50% of any profit. In the case of loss, Alleghany receives 5% on its investment. Here is another level of profit and interest.

Going on there is the level of portfolio earnings. These have been poor during the last year due to bad results for C. & O. and Pittston. But the 1951 results will no doubt be better by a good deal. Furthermore, management of Alleghany has stated that present policy is to "concentrate on development of investment income to the point where dividend requirements are exceeded." That this can be done is evident from the consideration that only a 5% return on the $145 per share net value would amount to about

Continued on page 40

LETTERS TO THE EDITOR:

"European Attitude on Our Foreign Situation"

Readers comment on article of Ernest T. Weir, Chairman of National Steel Corporation, giving his impressions of a European trip of inquiry and in which he reported European attitudes adverse to our foreign policies.

The "Chronicle" has received a number of letters in connection with the article by Ernest T. Weir which appeared on the cover page of the issue of Jan. 18. Mr. Weir, who is Chairman of the National Steel Corporation of Pittsburgh, prepared his article subsequent to a trip abroad where he had an opportunity to discuss the United States foreign policy with public officials and businessmen in various countries. Mr. Weir reported that an adverse attitude prevails toward U. S. policy in the Far East. Our European friends, he stated, do not hold Russia will soon precipitate war, and that the Iron Curtain hides weakness, not strength. Europe, according to Mr. Weir, desires direct negotiation between U. S. and Russia, as well as a better understanding of the Chinese problem, to prevent World War III.

Following are some of the letters received by the "Chronicle" with respect to Mr. Weir's article; others will be published in subsequent issues.

HARRISON L. AMBER
President,
Berkshire Life Insurance Co.,
Pittsfield, Mass.

Mr. Weir's article is a very sound and sensible one.

* * *

ARTHUR C. ALVAREZ
Investment Adviser
Berkeley 4, California

I have read carefully Mr. Ernest T. Weir's report under the title, "European Attitude on Our Foreign Situation." I hope you will make available by purchase reprints of this valuable contribution to the current healthy and necessary discussion of our foreign policy.

Since I have been in some parts of China and am somewhat familiar with the Chinese character, I would like to comment briefly on just one sentence on page 87, which reads as follows:

"They (our friends abroad in England and France) believe that the present Chinese Government, which is avowedly communistic, truly reflects the present thinking of the Chinese people."

This is a very sweeping belief.

I find it difficult to share this belief because, over a period of many centuries, the Chinese, always extreme individualists, have resisted successfully all at empts by their various dynasties, and by their local political authorities, to interfere dictatorialy with the personal liberty and initiative of the individual. Racial traits, ingrained for so long, do not change easily or quickly.

For many centuries, young Chinese in village schools have been taught to insist on their right to question and doubt all doctrines. These attitudes do not fit into the frame of Communism, which, again and again, has revealed its real self as despotism.

It would be interesting to know details concerning the avenues of information through which our friends abroad arrived at their present generalized belief. For example, exactly what methods did they use to determine what 400 million Chinese actually think about the present Chinese Government? In our own country, we have witnessed, at times, how unreliable even the best conducted poll of opinion can be.

* * *

EDWARD M. BORGER
President, The Peoples Natural Gas Company,
Pittsburgh 19, Pa.

I certainly agree that Mr. Weir's conclusions are clear and realistic and I hope that they will make a forceful impression on the public and on the government.

* * *

HON. HOWARD BUFFETT
U. S. Congressman from Nebraska

Mr. Weir's statements were so informative that I inserted them in the Appendix of the Congressional Record.

The "silent treatment" generally given his testimony on our foreign situation is shocking evidence of the extent to which our avenues of communication have become puppets of the Administration.

While Eisenhower's superficial survey of European conditions was ballyhooed and trumpeted up and down the land by radio, television, movies, and periodicals, Weir's unbiased and unprejudiced testimony was effectively suppressed.

Like the German people under Hitler, the American people are hard-put to get a fair presentation of both sides on the issues of our day.

For your courage in printing the Weir statement and other non-conformist reports, I salute you, and report my appreciation of your patriotism.

* * *

HON. HARMAR D. DENNY, JR.
U. S. Congressman from Pennsylvania

Mr. Weir has written a sincere and informative commentary on the world situation as he sees it. It is from discussions of this sort that Congress will come to know the mind of the people and what it can best do to help construct a strong, consistent foreign policy based upon principles of justice and morality with the security of

Continued on page 44

INDEX

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Insurance Stocks— A Defensive Investment

By SHELBY CULLOM DAVIS*
Former Deputy Superintendent, Insurance Dept., State of N. Y.
Senior Partner, Shelby Cullom Davis & Co., Members N. Y. S. E.

Authority declares insurance stocks offer attractive semi-permanent investment medium and good switch from war-favored industries. States substantial long-term buying has been taking place by pension funds and other investors who are seeking a store-of-value which guards against dollar depreciation. Advocates purchase of Big Five which turned in superior underwriting performance during past hardship years.

A famous New York department store has had as its slogan for many years (and one which New Yorkers wish their wives would follow): It's smart to be thrifty. For the investor 1951 may be a year when it is: Smart to be defensive. The higher the stockmarket soars, reasonable though it still may remain on the basis of yields, earnings, assets and depreciated value of the dollar, the more vulnerable it will become to an intermediate reaction. We may try to legislate prudence in investment but we can never repeal human nature—and it is only human nature to wish to safeguard profits on securities which have risen 30-50% (Dow-Jones Industrial Averages—many other stocks) in the past seven months.

Shelby Cullom Davis

We ourselves hear and see evidences of this in the current market. And we also see evidence that some of the profits being taken out of war-favored industries, such as steels, rails and oils, is flowing into insurance stocks.

Insurance stocks, like other stocks, are purchased (1) for the long term because they are a good place to invest funds semi-permanently; (2) for the intermediate or cyclical term because investors feel the group will do better than stocks as a whole. During the past eight months long-term buying has taken place in the "best name" insurance stocks on the part of investors (such as pension funds) who are seeking a store of value for money—a store of value which affords "relatively" absolute security of return and inevitable growth against the constantly depreciating value of the dollar. This long-term buying has pushed the Big Five (Hartford, Continental and its associate Fidelity Phenix, Insurance Co. of North America, St. Paul and Fireman's Fund) into all-time highs, although substantial corrections in several of these have recently occurred.

*An address by Mr. Davis before the Providence Society of Financial Analysts, Providence, R. I., Feb. 20, 1951.

However, intermediate or cyclical buyers of insurance stocks have been conspicuous by their absence. They have, in fact, until recently been staying away from the insurance share market in droves. Reason: these buyers bought in 1947-48 for the typical insurance earnings cycle. About a year ago, as the 1949 results were being published, these investors began asking this office about 1950 earnings—would they be better than 1949. Since 1949 witnessed both the highest underwriting profits in history and the widest margin of profit, with a dearth of catastrophes (whereas normally there are at least one or two) we stated as our opinion that 1949 would represent the peak in underwriting profits. Inasmuch as the cyclical buyer avoids peak profits as a plague (and is attracted to deficits where recovery seems certain, as flies to honey) it is not surprising that he turned seller in the spring of 1950—and has furnished a supply of good grade insurance issues almost ever since.

Herein, however, would appear to lie the opportunity—and our nomination of insurance stocks as Defensive Issues of 1951.

We believe insurance stocks will be favored as replacements for the profits taken from more volatile issues by those who (1) fear the height of the stock market; and (2) fear likewise the holding of cash to wait out a reaction lest they be wrong. We submit five reasons why insurance stocks appear to be ideal havens against:

(1) **The perils of a vulnerable stock market.** Not having risen during the past year, good trade (as differentiated from "best name") insurance stocks are in as strong a technical position as they were in a weak position a year ago, after 22 months of better than Dow-Jones Industrial Averages performance. Those wishing to "cash in" on stock market profits assuredly would not sell insurance stocks which appear insulated against a market reaction based upon profit-taking.

(2) **The perils of EPT and, relatively, against rising corporate tax rates.** During the last war the fire companies paid little if any EPT because rising premium volume reduced statutory underwriting earnings upon which taxes are based. The same situation should prevail again. As to the corporate tax rate, be it 47% or 55%, it is important to realize that the staff of insurance company earnings—investment earnings upon which dividends are based—is exempt up to 85% as far as dividends received from preferred and common stock holdings are concerned.

(3) **The perils of a "peace offensive" on the part of Stalin which would send commodity prices tumbling and orient the thinking of the investment community toward deflation.** Odd as this now appears, it could happen here. Furthermore, some economists believe the situation today to be basically different from 1942-45 when we were engaged in a shooting war and expending our tanks, airplanes, munitions, etc. Once the pipelines are filled, under this theory, production for war will inevitably have to slow down—bringing some deflation along with it. Deflation, of course, would be favorable to insurance stocks (as well as to public utilities) for obvious reasons.

Turning to positive reasons why buyers will single out insurance stocks, it would seem they would appeal because:

(4) **They are fundamentally cheap.** Currently they are available at discounts of from 25-40% from liquidating value. In an era when blue chip common stocks are prized, it appears an anomaly — and drastic undervaluation — that portfolios comprised of cash, U. S. Governments, high grade tax exempts, preferreds and these much sought after blue chip common stocks can be purchased at such substantial discounts. Under conditions of falling security values, when stocks in general were in disfavor, such discounts might be tenable—but not today. There appears to be a basic undervaluation such as presents an opportunity for both intermediate and long-term investment.

(5) **Their earnings will be better in 1951 than in 1950.** This is, in a sense, due to a "fluke"—but to a titanic fluke—the Thanksgiving hurricane. The greatest disaster since the San Francisco fire, this catastrophe probably will cost the companies $150 million as compared with an original official estimate of $12½ million. But it should not occur, unless the law of averages be repealed, in 1951. Since earnings of companies were seriously affected in 1950 by this disaster, it follows that earnings in 1951 should be better because of this one factor alone, and it is an important one.

The Longer Future

That 1951 fire insurance earnings will be better than 1950 may be sufficient as a current market factor. But what about 1952 and 1943, etc.? How would insurance stocks fare under inflation?

To answer this question we have gone to the past, the five-year period 1941-45 comprising one year of short of war and 3½ war years. We also intend to show how and why conditions may differ in the future. In addition, we have divided insurance stocks into two groups: the Big Five (those whose underwriting profit margins are year in and year out clearly superior—Hartford, Continental, Insurance Co. of North America, St. Paul and Fireman's Fund) and the Dozen (companies, not an all-inclusive list, whose stocks merit interest for one reason or another at present—American, Great American, Home, Firemen's of Newark, Westchester, Aetna, Phoenix, Boston, National Union, Springfield, Providence Washington, and Northern).

We found that the Big Five suffered a "decrease" in underwriting profit margins from 1941 to 1945—from 6.9% to 7.1%—the kind of "decrease" which is no hardship. During the interval, to be sure, underwriting profit margins declined to 3.7% in 1942 (due entirely to ocean marine war risk underwriting which will definitely not be undertaken in a future war), rose to 9.8% in 1943 (far superior to prewar 1941), fell to 6.5% in 1944 (on drastic cuts in auto insurance rates due to gasoline rationing and a general 10% reduction in fire rates initiated in Massachusetts in February and followed in April in New York and generally nationwide) and then advanced to 7.1% in 1945. This increase in profit margins does not mean that loss ratios fell. They rose 4.0 points—but the saving factor lay in the fact that the expense ratio (incurred expenses to written premiums) declined a little more—4.2%. This was attributable entirely to the 35% advance in written premiums which served to lower unit operating costs, for dollar operating costs actually rose.

Unfortunately the experience of the Dozen companies is not entirely comparable. The profit margin began at 4.7% in 1941, fell to .4 in 1942 (ocean marine), also exceeded 1941 in 1943 with 4.8%, and then rather fell on its face to 1.4% in 1944 and still further to .8% in 1945. It is this divergence in trend in 1944 and 1945 between the Big Five and the Dozen companies which deserves attention if any but the "best names" can be of interest at the present time.

The divergence appears to be caused by two factors (by no means unusual in insurance company analysis): higher expense ratio and higher loss ratio. The higher expense ratio would appear to be the result also of two circumstances: a lesser increase in premium volume over the period (21%) which therefore spread less premiums over overhead than the Big Five; and more intensive competition. This latter factor is important to be understood because it is possible it may not happen again, at least to the same degree.

While the expense ratio of the Big Five declined 4.2% during 1941-45, that of the Dozen decreased only 2.5%. While the loss ratio of the Big Five rose 4.0%, that of the Dozen (and there were significant exceptions) rose 6.6%. Why?

In all probability the answer lies in the atmosphere of business thinking in general—and insurance thinking in particular—during 1944 and 1945. At that time, you may recall, the thinking was in terms of reconversion: large-scale unemployment of 10 millions as a result of a cessation of war production. Deflation, in other words, was just around the corner. Parenthetically it might be remarked that as we write these recollections, through which era we lived vividly and in an official capacity, we are more than ever impressed with the fact that economics is an art rather than a science. At any rate if deflation was to engulf the American economy after the war, with the stoppage of war spending, then competition would be the order of the day as far as insurance premiums were concerned. Hence competitive devices should be sharpened rather than dulled. And in insurance there are basically two competitive devices: acquisition costs (more pay for the producer of the business) and more ready acceptance of questionable or uncertain risks. It would appear that both devices were used by the Dozen in 1944-45, and quite understandably under the circumstances. Acquisition costs were 4 points higher in 1945 than for the Big Five. And the loss ratio was also significantly higher.

"Store of Value" Investors Sound

From the foregoing, it would appear that the pension funds and "store of value" investors were correct in buying the best names, the Big Five, which turned in a

Continued on page 41

The A T & T Convertible 3⅜% Debentures

By THEODORE PRINCE, LL.M*
Investment Adviser

Prominent investment counsel sees in these debentures the opportunity of having the security of a bond with price appreciation possibilities for close to 11 years. Holds this is so because of the privilege of converting debentures into stock and is tantamount to an inflation hedge during this entire period since American Telephone & Telegraph Co. has not followed the practice of calling bonds before the termination of the convertibility privilege. The debentures without conversion privilege should be worth 108; accordingly the difference between this figure and the current market price for the debentures represents the cost of the conversion privilege.

In an article of March 23, 1950, on Southern Pacific Convertible 3s of 1960, I stated in regard to this security that in its ownership "the investor has an opportunity of 'having his cake and eating it too'."

Theodore Prince

Now I think a similar opportunity exists with respect to The American Telephone & Telegraph 3¾% debentures of Mar. 19, 1963, convertible into the stock at $138 on June 1, 1951, through March 18, 1962. They afford you the security of a bond of one of the largest corporations in the country and even in the world; a very successful, profitable enterprise geared and operated to meet the needs of our multifarious, extensive national and, one might say, successful economic existence.

As a holding operating company, the American Telephone and Telegraph Co. controls 82% of the telephone service in the United States.

In addition to thus having the security of a bond you have the privilege of converting the bond into stock at the wish of the holder for close to 11 years unless called before the termination of convertibility. Unlike other companies, the American Telephone & Telegraph Co. has not followed the practice of calling the bonds before the termination of convertibility.

Stock of the Company

It has been calculated that 13,000,000 additional shares would have to be issued to supply the stock needed for the complete conversion of all convertible bonds and for the old and new offering that may be offered to the employees. However, there is a tremendous growth that has taken place in the industry as indicated by 60% increase in the number of Bell System telephones since the end of the Second World War, to say nothing of backlog of 790,000 orders held since the end of last December.

There has been $1 billion convertibles issued in the postwar period of which close to 60% have been converted to date. The 3⅛s of 1959, convertible at $130, have been reduced to somewhere around $59 million and, since the conversion is marked up to $140 in June of this year and the bond is selling around 124, the chances are that this issue will be out of the way by that time.

The stock has paid $9 dividends regularly from 1922 to date. Since 1933, its low was never under 100 except 1932 at 70, 1933 at 86, 1935 at 98⅞; its high has never been under 150 except in 1942 when it sold at 134¾ and 135 in 1934; it sold between 128 and 151 from 1921 to 1927. In 1946, it sold over 200, and in 1930 it sold over 274, and in 1929 over 300. Earnings even in the least favorable years of the past 16 years have not fallen much short

Continued on page 34

*Theodore Prince is an economist, investment counsellor and lawyer specializing in corporate practices and taxes and a financial circle figure for 30 years, and was for 20 years head of the Stock Exchange firm which bore his name.—Editor.

Irving D. Fish Is Recuperating

Irving D. Fish

Irving D. Fish, partner of Smith, Barney & Co., New York City, is recuperating from an operation at the New York Hospital, 525 East 68th Street, New York City, where he will remain for another week.

Market Outlook in Defense Economy

Congressman Vail, A. Wilfred May, and J. W. Dunlap addressing Stationers' meetings.

"Service Wholesaling in a Defense Economy" is the theme of the 35th Annual Convention of the Wholesale Stationers' Association being held March 1-3, at the Hotel Commodore in New York City.

The convention will be addressed by Hon. Richard B. Vail, member of Congress from Illinois, Thursday on "Marketing Problems in a Defense Economy"; and Friday by A. Wilfred May, Executive Editor of the "Commercial and Financial Chronicle," discussing "What Protection Against Inflation?", and Dr. Jack W. Dunlap, Industrial Consultant on "Psychological Factors in the Market."

C. N. Alexander With Walston Hoffman

OAKLAND, Calif.—C. N. Alexander, formerly financial editor of the Oakland Post-Enquirer, has joined the Oakland office of Walston, Hoffman & Goodwin, 408 Fourteenth Street, members of the New York Stock Exchange and other leading stock and commodity exchanges.

C. N. Alexander

Widely known both as a newspaper man and in the investment field, Alexander was with the Post-Enquirer for about 24 years, more than 20 of which he was financial editor. Prior to joining the Post-Enquirer, Alexander was associated for many years with the former Fresno Morning Republican, where he rose from reporter to managing editor.

Shearson, Hammill Co. Appoints in L. A.

LOS ANGELES, Calif.—Shearson, Hammill & Co., members of the New York Stock Exchange, announce that William P. Banning has been appointed West Coast Regional Manager and that Kenneth C. Hardy has been appointed Resident Manager of the Los Angeles office, 618 South Spring Street.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the country the past week advanced slightly over the week before, but was noticeably above the level for the comparable period a year ago. In keeping with the higher trend of industrial output a further decline for both initial and continued claims for unemployment insurance was registered in the week ended Feb. 4, last.

Steel production, the key industry in our civilian and defense economy, rose slightly the past week and is scheduled to rise three-tenths of a point the current week, according to the American Iron and Steel Institute. The present weekly output rate is running close to 2,000,000 tons, but full recovery from the effects of the recent railroad switchmen's strike remains to be attained.

This week, dislocations in the metalworking industry loom immediately ahead, says "Steel," the weekly magazine of metalworking. Operations curtailments, possibly plant suspensions, threaten starting in second quarter as supplies of steel and other metals for civilian goods shrink. Beginning April 1, use of steel in autos, washing machines, refrigerators and other consumer durable goods will be reduced 20% from average quarterly consumption in first half of 1950. This cutback rises to 30% in third quarter. Meanwhile, use of copper in such products is reduced 25% and aluminum 35%.

Despite the cutbacks in materials, automakers are going ahead with plans for 1952 models, this trade paper points out. Equipment and tooling programs are too far along to be scratched by materials shortages. They involve large commitments for machine tools, conveyors and other equipment necessary to outfit new plants.

More steel is being directed constantly into defense channels. In addition to the recent expansion of mill quotas for military orders, tonnage is being allocated for eight new directive programs which, with the existing three, will require approximately 500,000 tons monthly. Allocations are being set up for May and undoubtedly will be extended through June. After that month they likely will be blended into some overall form of the Controlled Materials Plan.

Prices in all sections of the finished steel market are stabilized at the January levels under the government freeze order. Scrap,

Continued on page 43

Wage-Price Policy and Inflation

By JULES BACKMAN*
Professor of Economics
New York University, School of Commerce, Accounts and Finance

Dr. Backman contends purchasing power increase results from expansion of bank credit and activitation of liquid assets rather than from deficit financing. Noting recent 20% increase in bank loans and resulting inventory expansion, he criticizes government for failure to prevent overall expansion in credit. Citing inadequacies of price control—accentuated by gap in food field —he terms wage escalator clauses and farm parity program twin engines of inflation. Concludes since price and wage controls deal with effects rather than causes, and are subject to irresistible political pressures, inflation must be fundamentally attacked through fiscal and monetary measures, as credit curbs, taxes on consumption, and pay-as-you-go policy.

Wage-price policy must be considered against the background of the sharp stimulation to inflationary forces which have been at work in the United States since the beginning of the Korean War. What is the essence of the defense inflation problem? It is an increase in consumer purchasing power while the physical volume of goods available for civilians is being curtailed. Because of this situation, we cannot buy more with our expanded incomes, we can only pay more. This increase in purchasing power develops largely because of the increase in money supply which accompanies an expanded defense program. But it may also develop because of activation of past inflationary credit expansion. As I shall note, this latter factor has been of major importance in the past few months.

Jules Backman

Although considerable public emphasis has been given to the dangers attending Federal budget deficits, up to the present time such deficits have not been the source of the inflationary pressure. As of Feb. 20, 1951, the Federal budget showed a surplus of $1,150 million. The cash surplus as of that date was probably between $2.5 and $3.0 billion. (For the first six months of the current fiscal year, the cash surplus was $776 million against a reported deficit of $900 million.)

These data make it clear that the price inflation has not been caused by Federal budget deficits incurred up to this point in our war effort. However, a good part of the stimulus to anticipatory buying has reflected the fear of shortages and inflationary price rises which will attend our expanding war production program. Thus, the future trend of Federal spending has created a psychological situation which has contributed to recent price rises.

The real stimulus to the recent inflationary price rises is found in the expansion of bank credit and the utilization of liquid assets since the Korean incident. Table I shows sales and redemptions of U. S. Savings Bonds by months since July, 1950. Redemptions have exceeded new sales of Series E Bonds in each of the months since July. The aggregate excess was $505 million during the second half of 1950.

Total postal savings deposits had been declining for many months prior to the Korean situation, but the rate of decline was stepped up considerably in the second half of 1950 as shown in Table II. From June to December, there was a reduction of $174 million in postal savings deposits. Total time deposits (including commercial banks, savings banks, and postal savings banks) declined $700 million in the same period.

Another source of funds to the person in moderate circumstances is found in consumer credit. Prior to the reimposition of Regulation W, consumer credit was expanding at a very rapid rate. During the third quarter of 1950, the increase in installment credit was $1,664 million, or at an annual rate of $6.7 billion. For the six month period, the increase was $2,442 million (Table III).

The decrease in postal savings deposits, the excess of redemptions of Series E Bonds, and the increase in consumer credit, provided people in moderate circumstances with more than $3 billion in excess of their current incomes during the six months following Korea. This was an annual rate of over $6 billion and compares with the increase of $10 billion in personal consumption expenditures from the 2nd to the 4th quarters of 1950.

An additional major source of inflationary pressure was the sharp expansion in deposits and the increased turnover of deposits which have taken place since June, 1950. Table IV shows the changes in adjusted demand deposits for each month of 1950 as compared with 1949.

In the nine months prior to the Korean War, adjusted demand deposits averaged about $85 billion with only modest changes from month to month. Since June 1950, these deposits reflected primarily the increase in bank loans which also expanded by $8 billion from June to December 1950. These new deposits, therefore, were very active deposits since business concerns usually do not borrow unless they intend to use the funds.

The manner in which deposits have been activated is shown by changes in bank debits (Table V). The year to year changes eliminate distortions attributable to seasonal considerations. Since August 1950, bank debits have been at least 20% greater than the corresponding month of the previous year in every month except December. In January 1951, the total was 29.2% higher than in January 1950. These figures reflect the faster rate of turnover in bank deposits.

This brief survey has indicated that the pressures on prices have not reflected the fiscal operations of the government. Rather, they have reflected the increase in demand deposits and the sharper increase in bank debits together with the use of savings and the expansion of consumer credit by consumers. **A good part of the current inflationary pressure, therefore, has reflected the activation of the deposits and liquid assets which were created by the inflationary methods used to finance a significant proportion of World War II requirements.** This development also indicates the future problems of deferred inflation which would attend a failure to pay as we go for the present program.

Our Anti-Inflation Program

The government's anti-inflation program has consisted of many measures. However, it has not gone far enough. Among the more important anti-inflationary devices put into effect thus far, have been selective credit controls over housing and installment purchases, wage and price ceilings, priorities and allocations, modification of agricultural production controls, and increases in individual and corporate income taxes. These controls suffer from a number of inadequacies. In addition, there are other measures which the Federal government can take which thus far have not been adopted.

Credit Controls — While the government has engaged in selective credit control and has slowed up the volume of credit used to buy durable goods and housing, it has failed to undertake major steps to prevent the overall expansion in credit. As I have noted earlier, bank loans have increased by $8 billion, or almost 20% since June, 1950. During the same period, there has been a corresponding increase in adjusted demand deposits. Part of these loans have been used to finance an expansion in inventories, which, in turn, has meant new demand on top of the already large civilian demand. Thus, for example, total business inventories increased by $7 billion from June to December, 1950. While part of this increase reflected seasonal and price factors, a significant proportion represents the building up of inventories as a protection against future shortages.

Continued on page 44

*An address by Dr. Backman before "NYU Men In Finance," Lawyers Club, New York City, February 27, 1951.

TABLE I
Series E Bonds
(Millions of Dollars)

	Sales (at Issue Price)	Redemptions (at Current Redemption Value)	Excess of Redemptions
July	$318	$368	$50
August	270	394	124
September	244	348	104
October	271	360	89
November	246	318	72
December	284	350	66
Total July-December	$1,633	$2,138	$505

TABLE II
Postal Savings Deposits
(Millions of Dollars)

1949	
June	$3,277
December	3,188
1950	
June	3,097
July	3,061
August	3,021
September	2,991
October	2,967
November	2,941
December	2,923

TABLE III
Total Consumer Credit Outstanding
(Billions of Dollars)

June	$17.7
July	18.3
August	18.8
September	19.3
October	19.4
November	19.4
December	20.1

TABLE IV
Adjusted Demand Deposits
(Billions of Dollars)

	1949	1950	% Change
January	$85.4	$86.4	1.2
February	83.4	84.5	1.3
March	81.1	83.3	2.7
April	82.4	84.3	2.3
May	82.5	85.0	3.0
June	81.9	85.0	3.8
July	83.1	86.5	4.1
August	83.4	87.4	4.8
September	83.1	88.1	6.0
October	84.3	89.4	6.0
November	85.0	90.7	6.7
December	85.8	93.2	8.6

TABLE V
Bank Debits (141 Centers)

1950	Billions of Dollars	% Change From Preceding Year
January	$95.4	1.4
February	86.2	7.5
March	104.0	5.8
April	91.7	2.8
May	100.3	12.7
June	107.1	9.0
July	98.5	11.4
August	115.5	30.5
September	110.1	21.9
October	112.0	23.5
November	110.1	24.3
December	125.4	18.0
1951		
January	123.2	29.2

LETTERS TO THE EDITOR:

"Are We Falling Into History's Gıeatest Trap?"

More letters given in this issue in connection with Melchior Palyi's article in the "Chronicle" of January 11.

Provision is made in today's issue for publication of some more of the letters received relative to the article by Melchior Palyi, "Are We Falling Into History's Geratest Trap?", which appeared on the cover page of the "Chronicle" of Jan. 11. In his article, Dr. Palyi analyzed Soviet aggression techniques and asserted that the United States must either (1) restrict its defense zone to the Western Hemisphere or (2) promulgate a new Monroe Doctrine specifying the areas which we are prepared to defend against the march of communism. Continuance of our present foreign policy, and a policy of full and permanent mobilization, Dr. Palyi warned, can only lead to national bankruptcy.

In addition to the following letters, reference is made to the fact that others appeared in earlier issues, beginning with that of Jan. 18.

D. C. EVEREST
Chairman of the Board, Marathon Corporation, Rothschild, Wis.

I agree with Dr. Palyi that we are being lead into the worst "bear trap" we have ever encountered.

We have all known for some time that Lenin once said, "that sometime we will force the United States to spend itself into bankruptcy," and that is just exactly wnat tney are doing. Hitler told us in his book "Mein Kampf" what he intended to do, but in our smug compiacency we paid no attention to what either one of them said.

When we commence to dig into the historical facts to determine who is to blame for our present situation, it becomes a rather involved mess, but, nevertheless, anyone with any common sense and the benefit of hindsight can readily appreciate why we are in the predicament we are at present. Our principal difficulty can be attributed to the policies and program of our government over the past 19 years. After all, the business of running the country is no different than an industrial business except that it is on a much larger scale and involves the lives of people.

We have gotten our capital P's mixed up and have subjugated Patriotism to Politics. This has been going on for some time, but the most flagrant case of exposure was during the latter part of 1945 and 1946, when the armed forces of the United States were reduced to a skelton organization. It was the votes of women rather than the welfare of the country which caused this blunder. Another was the ERP wherein we attempted to buy friendship. This was like sending money to your relatives. If they asked you for $100 and you sent $75, you were an ingrate the rest of your natural life.

Another inexcusable thing was the destruction of manufacturing plants in Europe rather than converting these from the manufacture of wartime materials to peacetime materials. This could have been done and under control so these plants would not have been a threat to civilization. They were, however, destroyed and we spent hundreds of millions of dollars in rebuilding other plants when conversion would have been infinitely cheaper. The armed forces could have been maintained and replacements found on an orderly basis and we would not be in the mess we are today in that respect.

More than two years was wasted in carrying out the purposes of the National Security Resources Board. Now, with a lot of twisting and turning in various alphabetical agencies, we are trying to do in two months what we should have been doing for more than two years. There has been no coördination between government agencies. Army Surplus could give stuff away faster than the procurement division could buy it and get deliveries, and the old ERP which is now ECA proceeded to give away all sorts of strategic materials without any consultation with other agencies as to their requirements. We now find ourselves in short supply of many strategic items, particularly sulphur, since much of the stockpile has been shipped to Europe for the rehabilitation of the chemical industry there.

Dr Palyi has made an excellent analysis of the whole situation and the United States is, as usual, the goat. We have a terrific manpower shortage and the allies we have depended on heretofore are of very questionable value. Somewhere there is a limit to our ability to provide money and inasmuch as we have not perfected a "robot" we are limited in the production of fighting men to the laws of nature.

* * *

L. D. FEDDERMAN
President, Interstate Engineering Corporation, El Segundo, Calif.

As one who has watched the march of events during the past 17 years with increasing misgivings, I certainly agree with Dr. Palyi. I am not an isolationist nor a pacifist nor a reactionary. I put in 3½ years in World War II, including a year overseas. In the short span between 1914 and 1941, I saw two Presidents, who were elected by the "common man," lead us into the two worst wars in history. Now less than six years after the last one, we have another friend of the common man leading us either into a third war or bankruptcy.

Apparently the future will see our coming generation of young men ending up as cannon fodder, with a good chance that our cities will lie in ruins. If by some miracle we avoid this, we will end up in a completely Socialized State, and the next step will be Communism.

If you find that any executives agree with the philosophy of Tru-

Continued on page 38

The Titanium Situation

By H. P. CROFT*

Research Engineer, Kennecott Copper Company

Commenting on growing uses of titanium as an alloy, also in high heat resistance applications, Dr. Croft finds demand for metal exceeding and growing more rapidly than supply. Reveals recent activities of chemical and metallurgical companies in titanium production.

A unique situation exists in regard to the metal titanium. So much research and development work has been carried out in determining the properties of this metal and its alloys that the demand for this metal very appreciably exceeds the available supply, even at present prices. This condition bids fair to continue for some time.

Dr. Harry P. Croft

There are several reasons for the popularity of this very promising metal and its alloys. Chief among them is its light weight coupled with its high strength and hardness. Concerning the former, titanium weighs half as much as nickel, copper and the cupro-nickels and weighs less than 60% of the ferrous metals such as iron, steel and the stainless steels. Its weight is only 1.8 times that of aluminum. Even though, as shown by market surveys, a very considerable percentage of the titanium used in the future may be employed in form of alloys, these rough weight relationships will be approximately true for the alloys as well as for the pure metal, as the indications are that less than 10% of added elements such as iron, aluminum, chromium, manganese and others will be necessary to produce the desired physical properties.

Co-existent with the light weight of titanium alloys are strengths and hardnesses equal to those of the stainless and other steels—some titanium alloys now employed having ultimate strengths of between 150,000 and 200,000 pounds per square inch. These high physical properties, although diminished at high temperatures, are still adequate to allow the titanium alloys to be employed in the range of 400 to 1000 degrees Fahrenheit, while magnesium, aluminum and copper alloys soften to such an extent in this region that they are not satisfactory for structural purposes.

*Abstract of a talk by Mr. Croft before the Association of Customers' Brokers, New York City, Jan. 31, 1951.

Other Features

Other outstanding features of titanium are its high electrical resistance, its high heat resistance, its excellent amenability to hot working, such as hot extruding, hot forging and hot rolling, and its good susceptibility to cold working such as rolling, stamping, drawing and other forming operations. The resistance of titanium and its alloys to corrosion is very promising. The metal shows excellent resistance to sea water—to such an extent that it is superior to cupro-nickel and apparently equal to platinum. It is also resistant to corrosion from oxidizing acids. In air it resists oxidation sufficiently up to 800-1000 degrees Fahrenheit that its use under such conditions is anticipated.

Another unusual characteristic of this metal is that it may be surface hardened by exposing it to an atmosphere of nitrogen, oxygen or carbon at a high temperature in the same manner that steel can be hardened. Since some alloys are too brittle for severe forming operations, this feature of surface hardening can be applied to parts previously formed from the more ductile pure titanium so as to produce an end product which is an alloy having desired hardness or strength. This process may be applied to the entire piece or in local regions to make isolated hard spots for wear resistance or other uses.

The combination of all these attractive properties are such that many uses for these metals have been visualized by the Armed Services and all of the metal produced in the near future will probably be employed by the Department of Defense. One or more orders for large tonnages have already been placed for the armament program. The coexistence of light weight and high strength of titanium alloys recommends its use wherever possible for aircraft, for all items to be airborne and for items to be carried by foot soldiers where heavier metals that do not have other advantages are now employed. It has already been approved for fire walls and other structural parts of aircraft and it is being tried as jet engine forgings, compressor discs, blades and rotors and other items where the temperature is in the intermediate zone. Its high resistance to wear could lead to its use in the wings and skins of aircraft and supersonic missles. While the weight savings in fighter and bomber planes will result in attainments not measured in dollars, an interesting parallel is that commercial freight plane designers have stated that a saving of one pound of weight is worth $200 per year in pay load savings.

Navy to Use Metal

The Navy is expected to capitalize on the high resistance of this metal to salt water corrosion and employ it for many uses above the water line where its light weight will help to lower the center of gravity.

The civilian uses of these alloys when available are very promising and depend largely upon the price of the titanium, which should decrease with increased production and improvements in technological practice. For equal physical properties, titanium and its alloys will become competitive with other metals when the product of its price per pound times its density is equal to the price per pound of the competing metal times its own density. Considerable titanium will be employed even before this price level is reached because of its other outstanding characteristics. Surveys have indicated replacement of some nickel, stainless steel and even the lighter weight alumium.

With this potential demand, the question naturally arises as to why the metal is not being produced in larger quantities. The present bottleneck is in the production of the metal itself. Titanium has the faculty of combining at elevated temperatures with many other elements, including the gasses oxygen, nitrogen and hydrogen. This necessitates preparing the metal in a vacuum or in an atmosphere of helium or argon. Titanium also attacks all known refractories, including carbon, which adds to the difficulty of melting the metal by orthodox procedures. As a result of the metal's affinity for other materials, processes are involved and difficult of operation. Practically all of the metal being produced at the present time is by a modification of the Kroll process which employs the reaction of titanium tetrachloride and magnesium. The titanium tetrachloride must have previously been produced from titanium oxide as this is the form in which practically all of the titanium exists in nature. The modified Kroll process produces a grade of titanium which is now known as "commercial" and which contains approximately ½% or less of impurities. The presence of these impurities creates a titanium alloy which has a higher strength and hardness but lower ductility than the pure metal itself. A very small amount of pure metal (99.9%) is produced by the iodide process and only on a laboratory scale. Several investigators are working on the production of titanium by electrolytic methods and a small amount has been produced in this manner, but neither the iodide process nor the electrolytic process can as yet be considered commercial.

Even after the metal has been produced some other problems have to be overcome. The titanium from the Kroll process is in a sponge form from which it must be melted to shapes suitable for subsequent hot and cold forming. The difficulties attendant to this have been mentioned. In addition, titanium has a tendency to "seize" to drawing dies and consequently, precautions unnecessary in drawing more common metals have to be taken to effect such operations. It also has rather low creep strength but this may be improved

Continued on page 41

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Banks—Comparative analysis of 36 representative banks as of Dec. 31, 1950—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

"Daily Comment"—Special bulletin—Walston, Hoffman & Goodwin, 1420 Walnut Street, Philadelphia 2, Pa.

"Information Please!"—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

Insurance Stocks—Preliminary operating results for the 12 months ended Dec. 30, 1950—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

Latin-American Business Highlights—Quarterly digest—Chase National Bank of the City of New York, Pine Street, Corner of Nassau, New York 15, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the 30 listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an 11-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Power and Gas Utilities (Canada)—Analysis of outlook—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

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American Radiator & Standard Sanitary Corp.—Follow-up comment—Eastman, Dillon & Co., 15 Broad Street, New York 5, New York.

American Transportation Corporation—Discussion—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Arkansas Western Gas Co.—Memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Cedar Point Field Trust—Analysis—Lamont & Company, 89 State Street, Boston 9, Mass.

Commonwealth Edison Company—Brochure—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

Erie Railroad Co.—Bulletin—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

General Aniline & Film Corp.—Reprint of article on recent development of synthetic blood plasma—Gersten & Frenkel, 150 Broadway, New York 7, N. Y.

Maine Central vs. Nickel Plate—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.
Also available is an analysis of **Verney Corp.**

National Distillers Products Corp.—Memorandum—Sutro & Co., 120 Broadway, New York 5, N. Y.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northwest Airlines, Inc.—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Pathe Industries—Memorandum—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Plywood, Inc.—Analysis—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Puget Sound Power & Light—Bulletin—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Riverside Cement Company—Card memorandum—Lerner & Co., 10 Post Office Square, Boston 9, Mass.
Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Sanitary Products Corp.—Circular—Raymond & Co., 148 State Street, Boston 9, Mass.

Standard Gas & Electric—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Continued on page 45

"Where's Our Economy Headed?"

In debate with Leon H. Keyserling, Herman W. Steinkraus asserts business is worried over potential disruption of its productive capacity as result of unsound government policies; while labor is concerned over effectiveness of price freeze measures, and people in general believe government officials are playing politics for their own self-interest. Declares Washington has left citizens throughout nation in state of complete confusion. Mr. Keyserling replies that dislocations are indispensable to any battle for survival; that the people should be ahead of the government; and that public's impression of governmental confusion is part of the democratic process.

Editor's Note: Herewith is a partial transcript of the "American Forum of the Air," of which Theodore Granik is founder and moderator, broadcast over the NBC Network, Feb. 18, 1951. Opposing views were presented by Herman W. Steinkraus, President, Bridgeport Brass Co., and former President, U. S. Chamber of Commerce; and Leon H. Keyserling, Chairman, President's Council of Economic Advisers

Mr. Steinkraus: I think the big headache of business is the fear that the transition from peacetime production to defense production will cause a disruption of this highly skilled organization which we know as the productive capacity of America. Industry is afraid that they will be shut down and held back on materials and work of a peacetime nature before the defense orders have been gotten into the plants so that they can keep their organizations intact and swing quickly from peacetime to defense production. I think labor is also concerned. I think labor leaders are concerned right now, as is evident from the newspapers, that they are not being taken enough into the council of planning in this defense program, but the workers, I think, of which there are millions, are most concerned about prices and wages and whether or not the present move to freeze prices and wages is being effective or not. I think they think it is not being effective because they see prices still going up and they hear a government official say they are going to continue to go up until next summer, while at the same time, they feel the freeze of wages.

Mr. Keyserling: I think all the points that Mr. Steinkraus has made are important and should be given careful attention. First, as to the problem of dislocation in conversion from a normal economy to a defense economy, I would not be fair if I did not say that I believe that there must be some dislocation. It is impossible to take an enormous economy like ours and transform it from a great purpose of peace to a great purpose of survival without having any dislocation. To say that we could do it without any dislocation would be to say that we could do it without inconvenience to anybody or without inconvenience to some particular group. Some dislocation is part of the price we must all pay for the great job we have to do.

But I will say that I agree fully with Mr. Steinkraus that the dislocation should be as little as possible, that government and business and labor must work together, must plan together, must program together, even more effectively than has been done thus far to make the dislocation as slight as possible, and to get the job done as smoothly as is feasible.

Mr. Steinkraus: Mr. Keyserling, I think that is what is bothering the American people. They feel that our economy is being influenced by politics instead of by economic decisions. I think they feel that the government is paying more attention to the government than it is to the people, and that when it is paying attention to the people's wishes it is catering somewhat to segments of our people instead of all the people.

Mr. Keyserling: I believe that the government is the people, and I do not think that this statement

Leon H. Keyserling H. W. Steinkraus

is merely a dodge. I think that, in the final analysis, in our kind of society, the government will reflect the common denominator and average of what the people think and want. There are some faults in government, there are some faults in industry, there are some faults in labor, but above that, government, no less than industry and labor, is trying to do a good job in a critical situation. And let not those who say that government is responsive to pressures be too acquiescent about what kind of pressures are being exerted and how strong those pressures are. It is important that industry and labor and agriculture, no less than government, try to speak and act in the common interest and not in the interests of any particular group. When industry and labor and agriculture speak in the interest of the national economy and in the interest of the world situation, there can be no question that the government, which represents the people and comes from the people, will do likewise.

Mr. Steinkraus: I must say that I agree with Mr. Keyserling that the government is the people, but, of course, that is true in the long-range picture. In the short-range picture there may be readjustments needed that the people want but are not getting. For instance, I think that the most usual sentiment I get from people as I travel throughout the country is that of confusion. They do not know what the government wants of them. They read in the papers and hear on the radio that the Federal Reserve Board is not in agreement with the Treasury Department. They hear that Charlie Wilson is not in agreement with Secretary of Labor Tobin. The result is that they feel that the government itself is in a confused state and not giving the people a clear-cut direction in which we should go to do this tremendous task. The people are concerned about prices and they are concerned about a lot of things, but I think most of all they are concerned about the future of the country and whether or not we are having a clear-cut definition of the direction in which this country should go right now; and if they would get that, I think you would find many of our problems disappearing.

Mr. Keyserling: I am not going to be placed in the position of an apologist for government. I do not believe that government officials should be apologists for government, any more than I believe that business officials or labor officials should be apologists for the place where they are employed. I think we should all try to recognize the spirit of free criticism, do the best job we can, and move along together in that fashion.

Let me say this, however, at the same time: Those who believe it possible, in a great national effort, to get the crystal-clearness in all details at any particular moment, which Mr. Steinkraus refers to, I think fail to recognize that there are essential differences between a democracy and the kind of system which is threatening our existence. The dictator can present a crystal-clear plan. If the dictator is not crystal-clear, at least the people in his country think he is, because all dissent and all differences of opinion, and the fact that there are people in the government as well as outside of the government who are trying to reconcile conflicting views — all this is hidden and submerged in a dictatorship. That is not true in our kind of country, and therefore, in our kind of country in war no less than in peace, in a cold war no less than in a hot war, the people get the impression that different people have different views and the decisions are being made slowly.

Consequently, we have to judge our efforts on a basis of comparison. I think that on a basis of fair comparison, as we look at how we are moving in this critical situation as against the situation ten years ago, we can justly say that both on the international front and on the economic front at home we are drawing upon past experience and moving with greater clarity and with greater speed, and I think that we will accomplish better results.

Moderator Granik: Mr. Steinkraus, in talking about price controls, what would be your concrete suggestions?

Mr. Steinkraus: I think that the matter of price and wage controls has come so late that it struck the people at the very peak of prices. Then, on top of that, when Mr. Di Salle says that prices are going to continue to rise for another six months, people are very much concerned about that, because with the prices so high and with wages frozen, they do not know how to buy on it. I think that the American people were ahead of the government in this case. I think they would have sooner seen the price freeze come much earlier, including a wage freeze if necessary, and I think even today they would sooner have a price freeze with a rollback than this flexibility of prices going still higher.

Moderator Granik: Mr. Keyserling.

Mr. Keyserling: I think in all sincerity that the statement that the people are ahead of the government is one of the best definitions of democracy that I know. The people should be ahead of the government, because the government should respond to the people. This does not mean that the government should not exert leadership. Of course it should. However, it does still mean in a very fundamental sense that we must carry out this mobilization effort with the government responding to what the people feel they want and need.

More specifically, it is perfectly true that prices were frozen at an all-time high. That is because, when you superimposed a great defense effort upon a full economy, you witnessed a rapidly rising price level. But the real question is not whether the prices were frozen at the all-time high; the real question is whether the price freeze will be effective and efficient in preventing prices, which without controls would have gone still higher at an accelerated pace, from doing so. I believe that these controls will be effective. I believe the price administrators were correct when they said that you could not bring a fast-running machine to a complete halt in a minute or a week. But I do think that, with help from industry and labor and farmers, and with cooperation within the government, we will within a reasonably short period of time get effective economic stability in the face of this defense effort.

Mr. Steinkraus: I agree with Mr. Keyserling that we are all in this thing together and that the people and the government and industry and labor and the farmer must all pull together, and that the people should be ahead of the government, but I think that in the discussion at a public forum such as this, we should not smooth over the problems that are causing people headaches. All you have to do is go around and talk to people and find out that they are not satisfied with the way things are going right now. They do not understand economics, Mr. Keyserling. I am sure they could not grasp everything that you have in your report to the President. But they do understand the results of the movements of the government and they do not like the results right now. They are in a confused state. Women are worrying about how to make their budgets come out; men are working on jobs and are worrying about whether or not their companies are going to be able to make the transition from peacetime to wartime production. You cannot blame them for having those concerns. And I think industrial management wants to do a first-class job. We have faults. I certainly do not think that the government or industry can throw stones at each other. We are together; we have to be together. But I do believe we have to be more effective and more clear-cut in the path that

Continued on page 33

Business and Investment Outlook for 1951

By LEONARD SPANGENBERG*
Vice-President, Babson Organization
Babson Park, Mass.

Dr. Spangenberg predicts a 5% decline in business in 1951, based on high level of last year. Sees uncertainty of stock market trend and advises cautious selectivity and diversification in acquiring stocks. Warns stocks may become vulnerable to peace scare, but looks for no basic change in interest rates.

We forecast that business for 1951 as measured by Babsonchart will decline about 5% from the record high levels of last year. The two most important factors in the boom of 1950 — building and automobile production — are likely to be significantly involved in the decline expected this year. Appraising the expected developments in 1951, we predict a 20% decline in construction, and a 30% drop in automobile output. Another key industry, steel, however, will continue at the high levels of 1950 due to a tremendous step-up in defense production. In fact, we look for a 200% gain in the output of defense equipment compared with 1950. The air transport industry should show gains all along the line, including passenger revenues, air express and air freight. We predict a gain of 30% in airline passenger miles. National income will chalk up a gain of approxicately 5% as defense output picks up in the closing six months of 1951. Farm income should gain 10%.

Dr. L. Spangenberg

It is only fair to point out that our predictions could, of course, be knocked entirely out of line if the Reds should be stupid enough to choose 1951 for starting a new World War. The Soviets are still looking for an economic and financial collapse in our Western World within the next year or two. As far as 1951 is concerned, they are doomed to bitter disappointment.

*An address by Dr. Leonard Spangenberg at the 24th Annual Webber College Business Conference, Babson Park, Fla., Feb. 22, 1951.

Stock Market Outlook

The stock market opened 1951 with full steam ahead. The higher the market goes, the less conservative investors should have in the market. It is a great temptation, when the market is enjoying a robust bull swing, to climb aboard and make quick profits. At such a time, however, extreme caution and patience should be used. Long experience has taught us not to move enthusiastically with the crowd. The higher the market goes, the greater the degree of selectivity that must be practiced. At any time in the stock market, there are certain groups that have a more attractive outlook than others. At the present time, the following groups have the best outlook:

Variety Chains
Drug Chains
Building Stocks
Operating Utilities
Finance Companies
Air Transport
Grocery Chains

We hasten to add, however, that any new purchases you make should be confined to a minor amount of your total capital. At the present time, stocks should be selected on the basis of strong values and stability of income rather than on prospects of price appreciation.

Stocks Vulnerable to "Peace Scare"

Since we look for lower business volume next year, to be accompanied by a lower level of profits, it is only natural that we should expect lower stock prices for the popular averages to occur sometime during 1951. Furthermore, the economy in general and the investor's attitude, in particular, are likely to be affected by sudden unfavorable developments from time to time. With such a prospect, it appears wise for the prudent investor to maintain a strong position in 1951. A sudden "peace scare" could bring on a sharp market break—especially in the metals and rails.

Bond Market

Price movements of higher-grade obligations should continue to be restricted to a narrow range as the need for maintained U. S. control over the Government bond market is certainly going to last the year. Lower-quality issues should hold in line with business accomplishments. Such bonds will, of course, tend to move, price-wise, along with the general trend of the stock market. Municipal and other tax-exempt issues should receive support from the high level of income taxation. They do, however, seem to be close to the top. We look for no great change in basic interest rates in 1951, particularly since the President seems to be siding with the Secretary of the Treasury and "cracking down" on the Federal Reserve.

Conclusion

The investor who will come through the remainder of 1951 in the best shape will be the one who does not let his emotions run away with his securities portfolio. It is this human frailty, this urge to join the crowd, that makes possible the late bull-market excesses in prices that are characteristic of tops. The only known way to avoid being made a victim of such "mob action" is to adopt an investment program based on (1) the historical position of the market and (2) on the needs and temperament of the individual. Then stick to this program, no matter how wrong market action may make it look at times. Do not sacrifice your program for the lure of "quick turn" opportunities outside your program.

C. M. Jones Now With Dempsey-Tegeler & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles M. Jones has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. He formerly conducted his own investment business in Los Angeles and prior thereto was with Francis I. du Pont & Co.

Current Price Controls Threaten Disastrous Import Decline

By A. M. STRONG*
Vice-President, American National Bank & Trust Co. of Chicago

Though stating it is obvious we cannot maintain price ceilings for domestic goods and free imported goods from regulations, Mr. Strong finds current price freeze order threatening to curtail imports altogether, and thus endangering defense program. Calls for amended regulations which, while not conflicting with economic stabilization, will not impair importation of goods needed for our economy.

The Economic Stabilization Agency issued on Jan. 26, 1951 general price ceiling regulation for domestic goods as well as for exports and imports. The order contains a Statement of Considerations which reads in part as follows:

A. M. Strong

"Since June, 1950 the country has been in the throes of a mounting inflation. What is most alarming is the violence and rapidity with which prices are rising throughout the economy. Since the ou break in Korea, basic commodity prices have risen almost 50%, farm prices about 16%, wholesale food prices 12%, and industrial prices about 14%. Wholesale textile prices have advanced over 30%, chemicals over 25%, building materials and metal products about 10%. The cost of living is now at an all-time high and is rising sharply.

"By the end of this year we will be spending at an annual rate of between $45 and $55 billion for these purposes. We are now devoting less than 7% of our total output to security; within 12 months we shall be devoting about 18%. This means that we shall have to divert resources from the civilian sector of the economy and that the output of many consumer goods will have to be curtailed, some drastically."

The order does not compare present prices with prewar prices. Taking the wholesale price index of 1939 at 100, it stands at present at 212.5. The prices for wheat and corn have advanced 3.4 times; cattle, 3.2 times; coffee, 7.5 times; cotton, 4.5 times; rubber, 4.7 times, etc.

Import Prices Subject to Regulation

The regulation which became effective on Jan. 26, 1951, imposes ceiling prices for all sellers of commodities and services, for manufacturers, wholesalers, retailers and exporters. Under Section 10 of the order, sales made within the United States, i s territories and possessions, of commodities imported from other countries are subject to the regulation.

The order was evidently drawn up without consideration of the special aspects of imports. In its present form it cannot be complied with by most importers and manufacturers using imported materials. The price regulations were basically written for domestic commodities, and while special provisions were incorporated in Section 10 for certain importers, these provisions are not adequate to meet the problems created by the hasty order.

If the present order is allowed to stand, imports will dry up to a mere trickle. It will result in a curtailment of the flow of essential commodities from abroad and in a reduction of supplies available for the defense program. American importers and manufacturers will not engage in black market operations and they cannot conceivably continue their business at price ceilings which will in many cases be lower than the prices paid by them.

While it is possible to establish ceiling prices in the United States for raw materials and manufactured goods we cannot impose price ceilings outside our borders. American price controls do not affect foreign producers and foreign prices have been steadily advancing.

This is no time to tamper with imports. Imports are of the utmost importance now when our country is in need of foreign strategic materials and when we are threatened with inflation. The dangers of inflation are vividly described in the order as follows:

"Within the last month alone, prices of basic commodities have advanced almost 7%, compared with a monthly average rate of advance of 6% during the last half of 1950; industrial prices have risen 2.2%, compared with an average of less than 2%; and retail food prices since mid-December jumped 2.6%, compared with an average monthly rise of about 1%. At this rate, we would see price increases of 30 or 40 or 50% a year. This path leads only to disaster and collapse.

"Inflation impairs the smooth functioning of our economy at a time when we must exert every effort to strengthen the United States and the free world against the growing danger of aggression. It makes it impossible for the businessman to plan ahead, thus disrupting production and the orderly flow of goods. It creates a panic flight from liquid assets to goods. It creates intolerable tensions in our social fabric leading to sharp social conflict and mutual recriminations as to who is to blame. Those nations which have failed to check inflation have invariably paid the price in social and economic chaos. This disaster we are resolved to avoid."

It is of course obvious that we cannot maintain price ceilings for domestic goods and free imported goods from price regulations. Price ceilings for imports, however, must be carefully considered to avoid serious damage to our import trade.

Importance of Imports

For several years our government and business leaders have stressed the importance of imports to our national economy. We sent missions to Europe; encouraged foreign countries to export more goods to the United States; and we put out hundreds of tons of literature stressing the value of imports. We have attained certain results. However, our present actions will undo what we have accomplished.

As a temporary expedient, it is imperative that the general ceiling price regulation be amended immediately to make it workable. A new order should be promptly issued which should embody the principles of economic stabilization and at the same time not impair the importation of goods needed for our defense and our national economy.

*An address by Mr. Strong before the Chicago Importers' Association, Inc., Chicago, Ill., Feb. 21, 1951.

From Washington Ahead of the News

By CARLISLE BARGERON

One of the more spectacular events of the early New Deal, fraught with social significance, economic and political history and in the light of what later happened, fraught with nearly everything, was the time Mr. Myron Taylor, head of U. S. Steel, lunched with Mr. John L. Lewis in the public dining room of a local hotel. At the time, the communist-dominated CIO was embattled with the steel industry, rioting and bloodshed were the order; we were in a veritable revolution.

Carlisle Bargeron

A society writer on one of the Washington newspapers noted this luncheon meeting and recorded it duly in the society columns. There, the more observing of the Washington correspondents, read it and jumped about two feet. It signalized U. S. Steel's capitulation to the CIO and this was followed in due time by the capitulation of the entire industry. Mr. Taylor, having reached the top of industrial leadership and tired of it, was interested in what a lot of people consider to be the loftier endeavors of the diplomat, and presently he went to the Vatican as sort of a special ambassador. American industry, or that great segment of it that was battling with the New Deal, was left to stew in its own juice. For Mr. Taylor, he had had enough.

Come now down to the time of the Crisis That May Last 20 Years, and in our Washington midst we find Mr. Charles E. Wilson, unquestionably an able man, an outstandingly able man, a friendly man, a likable man. He has stated several times in the past that his periods of service in Washington have been unhappy; he got burned each time and if my recollection serves, he made it plain after his last period of service that he had been burned for the last time.

But Mr. Wilson, after an unusually successful career in industry, having started at the very bottom and risen to top industrial leadership, has apparently tired of it and is now of the mood to dedicate the remainder of his life to public service. He has stated he has no intention of returning to General Electric.

It has been published widely and repeatedly in the press that a condition to Mr. Wilson's taking his present job was that he was to be the boss; he was not to be hamstrung in any way, manner or form. This is the way industry would have it and I expect the stock market registered satisfaction when this set-up in such parlous times, such a crucial period in our history, was made known.

Well, since Mr. Wilson has been here, he has held to his authority in the matter of a couple of appointments which excited controversy. But in his first experience with one of the ideological conflicts he seems not to have put up a struggle.

On Dec. 5, in a speech at the National Press Club, he said there was no doubt whatever that the private power companies could supply this country with the power it needs, provided the materials necessary to their steadily expanding program are not diverted from them, a trick of the public power crowd in World War II. He projected their planned output and reserve capacity over a period of five years. It was the job of the private utilities to anticipate the country's needs, in normal times and in times of stress, and keep a step ahead, he said, and this is what they were doing.

From the audience he was asked a question as to his attitude on the proposed St. Lawrence waterway which involves a hydro-electric power plant, and he replied:

"The development of the St. Lawrence would take a long time. There are much more pressing problems if we are to win the war of production."

But now, it is the talk of the town and I imagine, the talk of congregations of men elsewhere, how a few weeks later, he had not only switched, but was being used by Mr. Truman to carry the ball in the current pressure behind this long controversial project. At two meetings at the White House to which Mr. Truman called members of Congress for the purpose of getting action, Mr. Wilson was the principal Administration spokesman. He engagingly explained to the Congressmen that he was not a New Dealer and then pulled no punches in insisting that the St. Lawrence project was a "must"; he had been completely wrong on it, it was utterly essential now to National Defense. At one meeting he went so far as to say the project was so fiscally sound that he could easily sell it to private capital; that, indeed, he would take a piece of it himself.

A few days later, he was the Administration's star witness before the committee considering the project, and this time he went so far as to say in his prepared statement, about power: ". . . recent estimates indicate that in many regions margins of reserve capacity are now relatively small and in certain areas there will continue to be shortages for several years in spite of major capacity expansion programs."

Mr. Wilson's explanation to his friends has been that "Oscar Chapman convinced me." I can't understand his not knowing Oscar Chapman better than that.

It was quite apparent in his examination by members of the committee that he was woefully unacquainted with the facts about iron ore which is quite a debatable matter in the transportation phase of the waterway, and as to why he threw in the stuff about the power shortage, something on which he had spoken so authoritatively and differently a few weeks previously, I don't know.

I simply know this: That if he is to remain as the defense mobilizer, he is going to have to swallow a lot of stuff like this, which is why I don't understand men like Mr. Wilson and Mr. Taylor.

No Need for World War III

By ROGER W. BABSON

Maintaining neither U. S. nor Russia is ready for war, Mr. Babson contends United Nations could delay a world war for years if it would only use its great organization for constructive work, such as insisting upon fair distribution of world oil resources.

Only a spiritual world awakening can prevent another World War sometime. Wars appear to be one of God's ways of bringing people to their knees. There, however, is no need for another World War **now**.

Roger W. Babson

The basic reason why no World War is probable this year is that all nations are waiting to learn what atomic bombs can do to ground troops. To answer this question is the reason for the Nevada Atomic Experiments of the past few weeks. The Korean war has shown that ordinary bombs, dropped from the air, have not succeeded in destroying ground troops. The infantry no longer marches in concentrated ranks as they used to do. Now they are so spread out that the individual soldiers are 50 or more feet apart.

For nine months of the year our bombers have been useful in destroying bridges and smashing supply lines. During the remaining three months, after the rivers froze, these bridges and highways were no longer necessary and the bombers were greatly handicapped. This explains why the Chinese armies waited until the rivers froze up before they attacked. This further explains one reason why our military experts do not expect Russia to attempt overrunning Europe before October or November, if then. The other reason is that Russia wants to gather her much needed crops from Bulgaria, Rumania, Poland and Czechoslovakia before war begins. But the real reason Stalin has delayed an attack on Europe is his fear of what the new form of atomic bombs could do to masses of foot soldiers and tanks.

World Oil Situation

Irrespective of the bomb, the United Nations could delay a World War for many years if it would only use its great organization (the 10,000 employees and annual expense of $40,000,000) for constructive work. Today these delegates are wasting their time on foolish arguments. They should be ashamed of themselves. Let me give one of the many possible illustrations of what I mean.

Nearly all the top brass are agreed that Russia's first attack will be against Yugoslavia, Turkey and Greece, to get the oil fields of Iran and neutralize Italy and France. Here are the powder kegs which could destroy the world. Yet, it must seem terribly wicked to God to see His people go to war over the fair distribution of oil which He has freely given to all. People who own and develop oil land are entitled to receive fair compensation for their risk and expenses; but God will not forgive the hogging of this precious oil against the welfare of mankind. It truly seems as if the entire world is crazy not to insist now on a fair distribution of this oil to all nations, including Russia. For not leading such a movement, it seems as if the United Nations is the "international insane asylum" of our world.

Causes of War Differ

There are many causes of war. God made people different and made nations different. Some are black, others are white; some are lazy, others are industrious; some are intelligent and others are ignorant. Nations also differ as to climate, rivers, harbors, and other resources. It would take a century to equalize many of these differences. The world's oil, however, which is needed everywhere by every nation, could be fairly distributed by the United Nations.

Until every nation—including Russia and China—has a fair quantity of oil, we must expect another World War. As God "sends His rain on the just and unjust," so the United Nations should send the oil of Iran to every other nation, instead of cowardly sitting by and making speeches.

What the UN Should Immediately Do

The United Nations should stop arguing over technicalities and calling each other names like silly children. The delegates should realize that God gave the world the great oil fields. The delegates should insist that Iran shall have a just recompense and not be scared by bribes, threats or intrigue, whether by England, Russia or the United States. The United Nations should further insist on a fair distribution of this oil and have all nations recognize that they need not resort to war to keep from being shut off from these God given resources. This is an illustration of what the United Nations should plan and fight for. Have we "Christian" nations forgotten the Four Freedoms, to which Churchill and Roosevelt agreed when World War II was going against them?

Edward J. Meany With Wm. E. Pollock & Co.

Edward J. Meany has been added to the staff of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York 5, N. Y., in the U. S. Government trading department. Wm. E. Pollock & Co. act as dealers in U. S. Government securities and underwriters and dealers in state, municipal, housing authority, revenue, railroad, industrial, public utility bonds and equipment trust certificates.

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Straus & Blosser, members of the New York and Midwest Stock Exchange, announce the opening of a branch office at 30 Pine Street, New York City, in charge of Bertram Seligman.

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(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Richard P. Strzyzewski is now with Continental Securities Co., Inc., People's National Bank Building.

American Business And World Peace

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

Asserting what is good for business and the world at large, is good for business at home, leading industrialist stresses business support of United Nations and the international peace efforts. Points out nations must learn to live together, to trade together and prosper together.

What is good for the United Nations organization is good for the population of this nation, and for all the peoples of the world as well.

Harry A. Bullis

With that basic premise, we can confidently consider the whole involved subject of world economics and how it is related to the United Nations. It is an amazingly complex subject. It is fraught with differences in nationalities, forms of government, methods of doing business, various temperaments, and local environments. In short, the problem of world economics is essentially the problem of the United Nations.

Recently I spent some days in Arizona. I met a cowboy there who was quite a philosopher. He had memorized whole passages of Adam Smith's "Wealth of Nations" and he was very conversant with Henry George's "Single Tax." He thought he had all the answers—or most of them. I thought so too until I found one blind spot in his library of knowledge and ready facts.

It came about when he asked me this question. "What about the world—what's the difference? Why does business care whether the world is at peace or not?"

I began by pointing out a few fundamentals. Then I got excited, and before I finished he had another book on his growing shelf—and it can be summarized in this brief manner:

There is no world of business. It is a world of men, of men like you and me, who work with business. Their hopes and aspirations, their sons and daughters in the armed services, their desire to produce and reap the rewards of more goods and products, are the same as yours and mine. They pay the price of war in the same terrible terms as Mr. Everyman, with this addition; they stand to lose their tools, the very stuff of which all business is made. Therefore, the slogan "UN Plus You" has double significance for them.

*An address by Mr. Bullis at the United Nations Conference, Chicago, Ill., February 27, 1951.

What Is Good for World Is Good for Business

The important thing to remember above all, when we consider the direct stake of American business in the United Nations, is this fact: **What Is Good for Business and the World at Large, Is Good for Business Here at Home.**

Business is merely a name that we give to the mechanics of producing and distributing goods and services and thereby earning a living. Production is the opposite of destruction. Subsistence is at the opposite pole of annihilation. Therefore we come upon another premise: It is to the interest of business everywhere, and particularly in these United States, that peaceful accord among all nations be preserved. That is the function of the United Nations.

International trade is one of the great arteries of business as it is transacted among nations. These transactions are not made for their own ends. They are organized and achieved to provide more things for the peoples of the nations of the world. This world trade is essential, in varying degrees, to the prosperity and economic balance of every nation in the world.

International conflict destroys this platform of world trade and distorts the pattern of business among the nationalities. Therefore war, aside from its brutality and horrors for the peoples of the lands engaged, destroys business or the means by which the peoples live. Therefore business has an absolutely vital stake in peace. That is just another way of saying that business is in every way concerned with the success of the United Nations.

As the richest and most prosperous land in the world today, it is the responsibility of the United States to spread its bounty, to share its know-how for producing more goods for more people. The position of world leadership which we occupy carries with it responsibilities which cannot be lightly discharged. Wealth implies responsibility, and our responsibility today is tremendous.

The businessmen of the United States, because of their position in our scheme of life, obviously occupy an important position in the struggle for preservation of basic liberties, freedoms, and world peace. It is they who will have to take the lead in advancing human welfare all over the world. Their objective is clearly defined. It is in their power to promote a prosperous peace that will truly become the whole world's **Moral Equivalent for War.**

These businessmen may function through associations, or maybe corporations, or perhaps through such United Nations institutions as the World Bank and the International Monetary Fund, or they may make their payments on the account of peace through their own governments. Above all, it will be men, not institutions, who give directions, force, and purpose to the plans and programs. It will be businessmen—no different from any other men—utilizing their positions for the greatest good of the entire world community.

Opportunity of American Businessman

The American businessman, therefore, has an unusual opportunity to promote world prosperity and world peace. He has the greatest supply of material to sell ever placed at the disposal of anyone. **He has the example of the United States of America.**

A salesman is mighty inefficient without samples. Perhaps he has a sample case, chock full of them. Or he may have a catalog, complete with pictures. Working models are sometimes used. But before the automobile or other article is finally sold, the purchaser has to see it, feel it, and try it out.

The United States is an example for all the world to see. The people of other nations can take our measure. They can visit us and taste our freedom and our productivity. But they don't have to buy us. It will be up to businessmen to close the sale by merchandising the American Way as a way of peace and prosperity and abundance for all the world. America is a sample of what a people do for themselves, with their own hands and brains and brawn and resources. The formula we will gladly share and the stimuli we will cheerfully provide.

During the First World War I served in Europe, and immediately after the war I studied economics in London. I did not then realize that a one-hundred year historic period had come to an end. That historic period was a full century of enormous outpouring of investment capital and a movement of people to all of the newer parts of the world.

From whence did the capital and the men move?

World's Material Progress

From the very countries we call the Marshall Plan countries today. In the one hundred years from 1814 to 1914, the world made more material progress than in all the previous centuries of recorded and unrecorded history. Men moved, ideas moved, and capital and goods moved. They all moved outward from Europe. Back moved the raw materials which built up further the first modern industrial nations of the world.

The last generation of that great century is a good illustration. In the years from 1883 to 1913 the countries now called the Marshall Plan countries of western Europe (particularly Britain, France, Belgium, Holland, and western Germany) made investment advances to the rest of the world which totaled $40 billion. These figures are huge today, but in those days they were colossal when compared to the national incomes of the countries from which this capital flowed outward. The United States obtained almost one-half, or more than $15 billion of this investment money, and every American today lives better because of that fact. Those loans enabled our fathers and grandfathers to achieve the improvements in productive processes that have made this country the world's wealthiest nation today. Without those loans of capital our progress would have been much slower.

To be sure, we gave legal sanctions that were adequate for those loans. To be sure, we were honest and paid off all loans. Repayment was made in a few years. I might add that such repayment was made when wheat sold over $2 a bushel, whereas the money was borrowed earlier when wheat was less than $1 a bushel. Thus we paid those debts in 50-cent dollars.

As I have said, we were honest and repaid our debts. But we should not forget that the loans were made to us when saving the capital we got required bitter sacrifices by the nations making the loans, including the labor of women and children and a 68-hour week in dangerous mines and factories.

How about the remainder of the investment, the other $20 billion which the western European nations loaned out in the 30 years immediately preceding the First World War?

Where did those hard-won billions go?

They went to the backward, underdeveloped areas all over the world. They went to Chile, Brazil, the Dutch East Indies, India and Malaya, Australia, and New Zealand, for example.

For what purposes were the billions invested in these newer areas?

To produce raw materials needed by industry.

Undeniably the investment were generally profitable for western Europe. But the greatest gain by far was the advance we in the United States made on the basis of cheap newsprint, palm oil, rubber, manila and sisal fibres, tin, quinine, jute burlap, hides and skins, furs and wool, and many other materials which we needed and which it was either impossible or inconvenient for us to produce at home.

Then came the first World War. After that, western Europe never fully recovered its ability to lend abroad. We took over the short erratic spells, undependably, and at high interest rates. Somehow we got along all right through the 1920's. During the 1930's there was no need for raw material commodity expansion. In the 1940's we had to go without these raw materials or attempt to attain self-sufficiency at home by substitutes or synthetics produced at great cost.

With the world recovery which has occurred in the last two years, this raw material problem has come home to us. Having failed to take up the lending task, we are now paying for more than the cost of the loans which we should have made to continue the needed expansion in the production of raw materials all over the world. Prices of imported raw materials have risen greatly. As a result, the dollar balances which were running against foreign countries as a whole are now running in their favor. We have lost $2 billion in gold in the last year. Our foreign account, which was in our favor, has turned in the other direction by $4 billion. Thus our dollars are flowing out in a big stream. England is today wholly free of ECA assistance. As our dollars flow out, they provide the most unusual opportunity we have ever had to bring Japan and Germany into the free orbit of the western world.

Those dollars are flowing out to areas in amounts large enough to provide adequate export outlets which can give Germany and Japan a place in the productive sun without any injury to us, but rather with great gain for us. These countries can now become solvent viable worthy exporters assisting in the production and trade which can develop the backward areas still further. These raw materials come to our shores in almost all cases free of any tariff burden of our imposing.

The second benefit is to be derived from saving in today's almost fantastically high raw material prices. **Expanded production of jute burlap in Pakistan, for desperately needed and high priced gunny sacks, and expansion of tin and natural rubber supplies in Malaya, expansion of manganese and chromium in Africa, and copper and nickel in Canada, can save us money and help to sustain our great industrial power. The process of that expansion can assist us to continue building our own industrial strength and can help make the free world solvent. In those newer countries, even our past hard competitors such as Germany and Italy can find adequate outlets for exports which will obtain them dollar exchange. Then they can again buy the many supplies they once bought from us to our mutual gain. The process can give England and Japan export outlets without threat of injury to us; in fact, this would be to our advantage since they would become once more large markets for American cotton.**

These processes of investment overseas, trade, and finance are business processes. We see them getting under way with many new foreign loans being made on a banking basis and with only moderate assistance from the helpful but non-competitive International Bank for Reconstruction and Development. That institution and its sister-institution, the International Monetary Fund, have retained their resources and strength to help in the years ahead. These are important United Nations institutions.

The American businessman is making his genius for organization available throughout the world through the good offices of the United Nations. He will do more in the months ahead. For no one realizes more clearly than the businessman that the world today is truly one world and that time and distance have given way before the steady advances of science.

The United Nations organization belongs to all of the nations of the world. Never before has any organization so belonged. It is a stripling of six years, and it has already had its full share of ups and downs. It will have more of them. The important thing to remember is that over the long pull, over the course of decades, this going organization will succeed. It has got to succeed. There is no other route to unity and accord among all men. There is no other way to get goods and distribution so easily to satisfy the wants and needs of all peoples.

American business has its first responsibilities at home. But those very responsibilities mean that we must look to our role in the world community. A nation can no more live alone than your family or mine can live alone, than any one of us can live alone. As countries, we must learn to live together, to trade together, and to prosper together. Here is the mission of the United Nations. Here is the part that business must play in that mission. That is why, in working for the United Nations, all of us are working for our own best interests.

Purchase and Sale Of Unrefined Gold

By MORTON SEIDEL
Morton Seidel & Company
Investment Securities, Los Angeles, Calif.

West Coast securities dealer, after recounting disastrous effects of irredeemable currency, recounts increasing value of gold as measured in terms of currency. Points out transactions in unrefined gold is permitted under Gold Reserve Act of 1934, but indicates supply of metal in this state will be smaller, due to rising production costs. Contends, however, holding gold is one of the sure ways to protect one's self against inflation.

If you have amassed a fortune by hard work or inheritance and want to do something to preserve it in the years to come, read this article carefully. It it obvious there is no complete solution to the problem presented by our present economy. There is, however, one answer that has been reliable for 2,600 years. If you do not believe gold "is still as good as gold," if you are interested only in the proverbial "quick buck" made by trading on the Street, don't waste your time reading further.

Morton Seidel

The pattern of our present picture has repeated itself so many times that it is almost unbelievable that the public is not aware of what to expect from the purchasing value of our money and what to do to protect itself against the inevitable loss. There is nothing new about the debts of war being repaid in depreciated currencies, nor is it news when currencies not tied to gold progressively lose their purchasing power. The sovereign who borrows the money to fight a war also makes the rules governing the repayment. He does not have to repudiate the debt. He simply changes the value of the currency in terms of gold. The Athenians, Romans, Egyptians and Carthaginians periodically reduced the gold content of the coins, even going so far as to goldplate them. While the Greek may or may not have had a word for inflation, these changes brought forth the same complaint from the Athenian housewife as you and I hear today.

Our present economy is dedicated to the Keynesian principle that capitalism will not automatically run itself and maintain full employment. The government has to take a hand to make it work. Only by continuous government spending to offset savings, can full employment be maintained. If savings are not invested in private enterprise, the government steps in to fill the gap, and the spending is not offset by taxes Add the debts incurred by the war to the debts we can presently foresee: apply the Keynesian theory to the economy, not only of the United States, but a great portion of the world; and you total a debt that will have the same effect on the value of our money, as the debt incurred by other nations for the past 2,600 years. In 1930, Lord Keynes said, "I prophesy that in 1950 every treasury in the world will be talking about my ideas, but by that time, of course, the problems will be quite different, and my ideas will be not only obsolete but dangerous."

Resort to Unredeemable Currency

Time and again a genius arises to teach governments how to have money outstanding without gold behind it. In 1789, the French nation was financially embarrassed. Assignats, which were notes secured by a pledge of productive real estate bearing 3% interest, were issued. This probably was the best thought-out of all the plans for the issuance of irredeemable paper money. Even men like du Pont de Nemours were fooled, but good old Brillat Savarin, one of the world's great chefs (whose name is honored by the famous Wall Street restaurant), was not fooled. He insisted that the natural economic laws would continue to work, and as each issue of assignats was added, he was able to predict the percentage of depreciation. In 1793, the Law of the Maxim was passed. (Maxim to the French, ceilings to us!) Prices were fixed at 1⅓ times the 1790 price, 5% added for the wholesaler, 10% added for the retailer. Even imprisonment, property confiscation, and finally the guillotine, could not make the ceilings stick. In the following year the Law of the Maxim was abolished. On Feb. 18, 1796, the machinery, plates and papers for printing assignats were destroyed. By that time it took 15,000 assignats to buy a 25-franc gold "Louis." The holder of gold stayed ahead 600-to-1.

In the last two decades Germany and England produced geniuses like Schacht and Lord Keynes. They gave us some lessons in managing currencies. These men were taking care of countries that had inadequate supplies of gold. Schacht used what little gold he had left to import the commodities Hitler needed for war. During this time the value of the internal Mark continually depreciated in terms of gold in spite of Hitler's insistence that the Reichsmark was backed by German labor and achievement. This was, in his opinion, an asset not only far better than gold, but an asset that would defeat the entire world. Keynes made his personal fortune selling short the currencies in Europe that were not tied to gold. The ounce of gold he could have bought in 1930 for 86 shillings will bring 248 today.

In modern times the public was taught to use paper for money. Why bother with gold metal when one could use gold receipts to take the metal's place? When one lent his government, a corporation, or a friend money, it was agreed repayment was to be made in "the present weight and fineness in terms of gold." Not so long ago our sovereign clipped some of the gold out of our coins. Soon after the coin clipping, the balance of the bonds that had been issued during World War I were paid off. All we got back was 1,000 clipped coins, although we were entitled to 1,700 of the new coins in accordance with our contract. If that is the deal we received because of the debts developed during the first World War, what will the next change be, based on the present astronomical government debt, plus what is to come?

Chart I indicates that commodities, based on the old dollar, are not high compared with the 100-year average. The purchasing power of the new dollar tells a different story. Published figures would indicate that approximately 54% of the production of gold is annually absorbed by industry, and the balance becomes monetary gold reserves in central banks. Treating gold as a commodity, it is obvious from the chart that, in terms of dollars, gold is probably the only commodity which has not moved up a good 100%. While our loss of the $1½ billion in gold during 1950 may be due to many reasons, one might be that our foreign friends may be thinking that they would rather have the gold than our dollar.

Chart II shows that the price of gold has a tendency to rise as times goes on. The formation of the Bank of England resulted in the fixed price of gold being established in 1696. By 1931, the Bank of England suspended gold payments, and the price of gold in shillings has since risen to 248 shillings per ounce of gold. This brings the price up to the trend line and would indicate that gold in terms of dollars should approximate $60 per ounce.

Transactions in Natural Gold Permitted

Regulations issued under the Gold Reserve Act of 1934 have been interpreted by the Director of the Mint and the General Counsel of the Treasury, as permitting the purchase, sale and transportation of gold in its natural state, without the necessity of holding a license. The Act reads:

". . . gold recovered from natural sources which has not been melted, smelted, or refined or otherwise treated by heating or by a chemical or electrical process may be acquired, transported, within the United States, imported, or held in custody for domestic account without the necessity of holding a license therefor."

The law permits the purchase of gold for domestic account without limiting the amount. The gold cannot be exported.

Natural gold destined to be purchased by an indivial is packed in leather pokes at the mine. It is then shipped to an assayer licensed by the mint. By sampling, the assayer is able to determine with remarkable accuracy the amount of pure gold in a given quantity of material. Usually the fineness runs from 800 to 900. This means that if 100 ounces of material are in a leather poke and the assay is 853.25 fine, there are actually 85.325 ounces of gold in the poke, and the other 14-odd ounces may be made up of other metals such as silver, etc. The assayer figures the exact weight of the material to the 100th of an ounce, the fineness, and the exact amount of pure gold in the poke. He then seals it with his seal on which is his tag giving the information necessary to identify his assay certificate that goes along with the poke. The miner supplies a Treasury form that identifies the origin of the gold and when it was mined. This form should be delivered to the purchaser of the gold. Any safe deposit company can supply a box in which to keep gold.

Since most hard rock mines must treat the ore to produce the gold, very little natural gold is available from this type of production. The placer mines in Alaska and the United States do produce a nominal amount of the gold in its natural state. From my conversations with the miners of Alaska, it appears that the supply from this source will be smaller and smaller. Costs of production are rising to the point where it is increasingly difficult to break even, much less make a profit.

The writer has no quarrel with our government policies, nor has he a solution for them. He is astounded at the lack of interest in protecting fortunes from the effects of inflation. History shows that gold has been one of the sure ways to protect one's self against inflation. The man of wealth who, in this economy, does not avail himself of this opportunity to protect himself and his heirs, should (as an English economist recently said), "have his head read."

CHART I—Commodity Price Trend

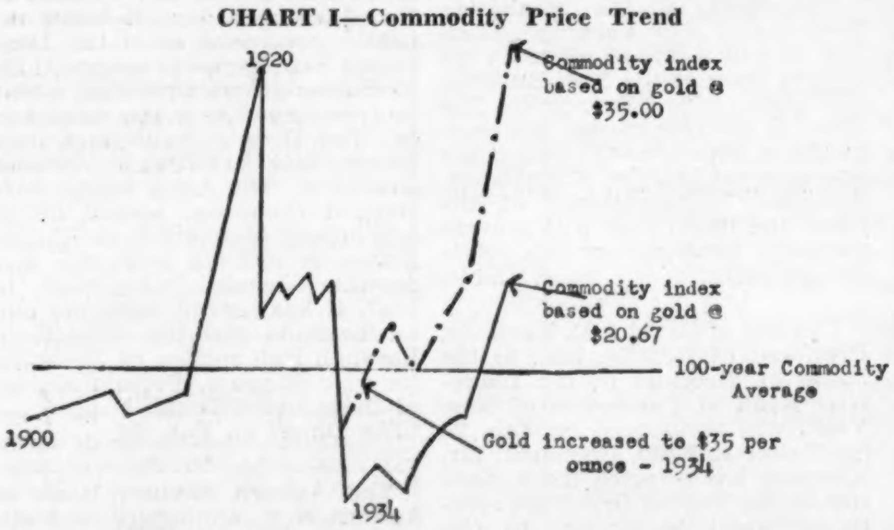
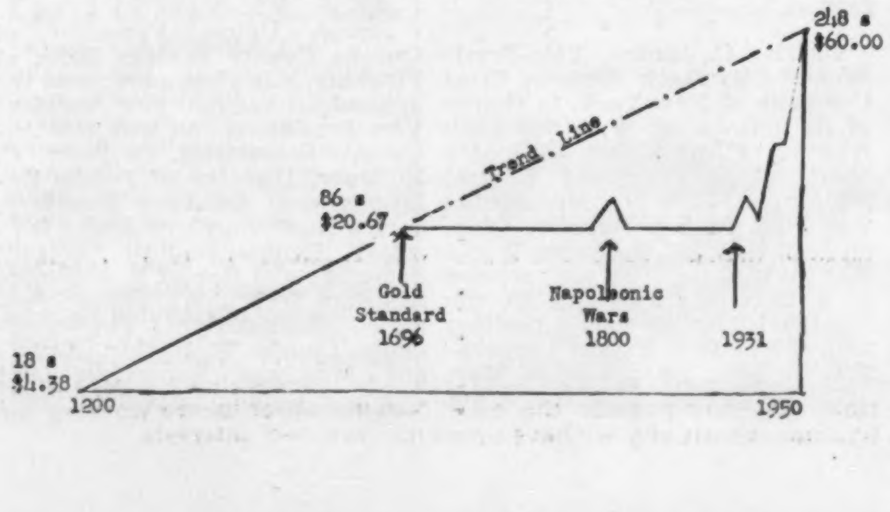


CHART II—Price Trend of Gold in Terms of Shillings for 750 Years



With Waddell & Reed

LAWTON, Okla.—Major Joseph C. Richard, U. S. Army-retired, has been appointed representative of Waddell & Reed, Inc., in the Lawton-Fort Sill, Okla. area. His offices will be located at 305 Koehler Building, Lawton.

No Justification for Raising Capital Gains Tax

By ROBERT P. BOYLAN*

Chairman, Board of Governors, New York Stock Exchange

New York Stock Exchange spokesman voices disapproval of Secretary Snyder's proposal to raise capital gains tax by 12½% and to lengthen holding period to 12 months or more. Denies reducing holding period would be inflationary or stimulate speculation.

We have tried to approach this question of taxation with a view to bringing the highest revenue return to our government—with the least unfavorable effect on our economy in general and upon the highly sensitive securities business in particular.

Robert P. Boylan

I believe I can be most helpful if I confine myself to the capital gains tax, and stay on that subject. This is a tax with which we live, as you know. Our day-to-day observation of its application is extremely close. It is our hope, out of this experience, to contribute constructively to your considerations.

You will recall that the Ways and Means Committee recommended in the 1950 Tax Bill that the holding period for capital gains be reduced from six to three months. The Bill passed the House with that provision intact. The Committee at one time also tentatively decided to reduce the capital gains tax from 25 to 16%. The Committee subsequently reversed its decision on the tax rate, but even tentative approval would indicate that there was considerable merit to the proposal.

The shorter holding period was rejected in conference. I am informed this was one of the very last concessions made by the House conferees in the interest of getting out a tax bill.

When the law provided a holding period of 18 months or longer, from 1938 to 1941, it is a matter of record that revenues from capital gains dropped from $12,000,000 in 1938 to the point that, in 1940 and 1941, capital losses offset capital gains.

*Statement by Mr. Boylan before the Ways and Means Committee of the House of Representatives, Washington, D. C., Feb. 22, 1951.

In the Tax Bill of 1942, which was passed in October of that year, the holding period was reduced from 18 to 6 months. The full impact of the shortened period was not felt in that year, however, because the tax-paying public did not begin to thaw out their investments until the shorter period became law. Despite the limited time the shorter period was in effect, capital gains tax receipts expanded to $6,700,000 for that year. In 1943, returns from the capital gains tax ballooned to $266,600,000, in 1944 to $354,000,000, and in 1945 to $720,000,000.

Although the Treasury has not disclosed the figures for 1946, 1947 and 1948, it is known that capital gains revenues in 1946 exceeded 1945. It is also known that 1947 receipts were only slightly lower than 1946. It is regrettable that the Treasury Department has not formally placed these figures for 1946, 1947 and 1948 before your Committee.

Other factors undoubtedly contributed to this enormous increase in revenue. But, fundamentally, the increase was due to the thawing of frozen investment capital. Under the longer holding period, capital was immobilized because tax impediments warped normal business judgments. Under a six-months period, the investor, while still penalized to a degree, is given more freedom of action.

It seems obvious to us that greater freedom for capital would provide the government with still more revenue. It seems just as obvious that the government would receive less revenue if the holding period were lengthened to 12 months or more and the tax increased to a maximum effective rate of 37½%.

Our high regard for Secretary Snyder and his staff of tax experts does not diminish our convictions.

Frankly, we can see no justification for increasing ordinary income taxes four percentage points and the capital gains tax 12½ percentage points. It cannot be said, without unwarranted reflection upon Congress, that capital gains have been unduly and improperly favored in the present law. The Ways and Means Committee, better schooled in taxation than any other body, wisely determined that the decrease in revenues from capital gains was due to the paralysis caused by a holding period of 18 months or more. Accordingly, the Committee shortened the holding period to six months, with a 25% effective rate. In the face of our government's great need for additional revenue, it seems crystal clear that a lengthening of the holding period and an increase in the tax rate would return us to the unhealthy conditions with which we are all familiar—stagnation of capital investments and resultant loss of revenue to the government.

You will recall that the Senate Finance Committee reported the 1950 tax bill to the Senate with a 3-months holding period for capital gains, as had been provided in the House bill. During the debate in the Senate, an amendment was offered, and approved, to strike out the 3-months period. It was argued that the reduction of the holding period would be inflationary and a stimulant to speculation. That view, we are convinced, is fallacious. Actually, the contrary holds true. So far as speculation goes, policing by the Securities and Exchange Commission and by the exchanges themselves, in addition to the credit control powers of the Federal Reserve, preclude speculative excesses. And lengthening of the holding period for capital gains contributes to an inflationary spiral by preventing a free and open market in securities and commodities.

I can illustrate this by the fact that the floating supply of numerous high-grade stocks is gradually contracting. This trend is being accented by the purchases of institutional investors who are buying stocks as a source of income. By institutional investors, I refer, of course, to certain insurance companies, pension funds, open-end investment trusts and college endowment funds. A longer holding period will reduce the market supply of securities still more because individual owners of securities, their judgments clouded by unfavorable tax considerations, will be deterred from selling. Thus an already contracting supply of stock will be further limited without curtailment of demand.

May I summarize our position:

We appreciate the difficult task that confronts this honorable Committee. The suggestions we have offered were made in the best of faith. We realize the needs of our government in this time of crisis and our own responsibilities.

We are firmly convinced, after careful study, that a shorter holding period, at the present tax level, will increase revenues by millions of dollars. We advise strongly against freezing investments for 12 months and increasing the maximum effective rate to 37½%.

Joins Tower Pringle

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La. — Frank B. Gillan has been added to the staff of Tower J. Pringle, 440 Monrovia Place.

Joins Warner Staff

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Maine — Frederic E. Tripp has joined the staff of J. Arthur Warner & Co., Inc., 431 Main Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — F. Denton Wertz is with Waddell & Reed, Inc.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

N. Baxter Jackson, Chairman of **Chemical Bank & Trust Company of New York**, announces the appointment of Herbert I. Sayers as Assistant Vice-President in the foreign department and of Ralph Farrington as Trust Officer in the personal trust department. Mr. Sayers has been with the bank for 32 years and was formerly an Assistant Manager in the foreign department. He is in charge of the Far Eastern Division. Mr. Farrington has been associated for the past 15 years with the trust department of **Continental Bank & Trust Company.**

The directors of Chemical Bank & Trust on Feb. 21 increased the regular quarterly dividend from 45 cents to 50 cents a share payable April 1, 1951, to stockholders of record March 19. This dividend is payable on the 2,500,000 shares of the bank currently outstanding plus the 40,000 shares to be issued in conjunction with the proposed merger with **The National Safety Bank and Trust Company of New York.** The last change in dividend was 25% in stock paid on Nov. 8, 1945.

* * *

Beginning Feb. 23, at 10 p.m., **Chase National Bank of New York** sponsored "The March of Time Through the Years," a new half-hour television program over WJZ-TV. First subject in the series was "Newsfronts of War—1940," a November, 1939, March of Time release which reviewed the events of 1939 and took a look at the probable news subjects of the years ahead. This is the first time that "The March of Time" has been put on television, and the present schedule includes 26 programs on Friday evenings at 10 p.m. Leading authorities in the world of science, art, music and international affairs will use "The March of Time" films in discussing important topics.

* * *

George B. Burlinson has been appointed an Assistant Secretary of the **Corn Exchange Bank Trust Co. of New York.**

* * *

The Bank of the Manhattan Company of New York opened on Feb. 27 a new branch office on the ground floor of the Fisk Building at 57th Street and Broadway. The office is the seventh for the bank in the midtown area. Under the management of John T. DePalma, Assistant Vice-President of the bank, the new office will provide complete banking services. Safe deposit facilities will be available.

* * *

Election of David O'D. Kennedy, President of Kentile, Inc., to the board of directors of the **Industrial Bank of Commerce of New York,** was announced on Feb. 21 by Walter E. Kolb, President. Mr. Kennedy has directed the expansion of the Kentile firm from relatively small beginnings to the world's largest manufacturers of asphalt tile and cork tile, Mr. Kolb said.

* * *

Charles C. Jordan, Vice-President of **City Bank Farmers Trust Company of New York,** in charge of its uptown office at 640 Fifth Avenue at 51st Street, died of a heart attack at Grand Central Station on Feb. 21. Mr. Jordan was born in Steubenville, Ohio, on July 24, 1895. Following World War I, in which he saw service as a Second Lieutenant in the Field Artillery, he took a position with the Federal Export Corporation in New York, and in May, 1920, he gave up this connection to accept a position as Manager of the order department of W. Reed Williams, of New York. From January, 1921, until he joined the Farmers Loan and Trust Company in 1923, he held a position in the New York office of the Near East Relief. Mr. Jordan was appointed a Trust Officer of City Bank Farmers Trust Company when the Farmers Loan and Trust Company, where he was a Trust Officer, became affiliated in 1929 with the National City Bank of New York.

Duncan F. Geery, former Trust Officer of City Bank Farmers Trust Company, who retired in March, last year, died on Feb. 22. Mr. Geery, who was 61 years of age, joined the company as a page in 1905. In 1931, two years after The Farmers Loan and Trust Company became affiliated with The National City Bank of New York as City Bank Farmers Trust Company, Mr. Geery was appointed an Assistant Trust Officer, and Trust Officer in July, 1939. During World War I, Mr. Geery was a Sergeant in the 304th Field Artillery, 77th Division.

* * *

The election of Wilfred Wottrich to the Board of Trustees of **The Lincoln Savings Bank of Brooklyn, N. Y.,** was announced on Feb. 26 by John W. Hooper, President of the bank. Mr. Wottrich is Vice-President in charge of the personal trust department of the Manufacturers Trust Company. He is a native New Yorker, a graduate of the New York University and of the Graduate School of Banking, Rutgers University. Mr. Wottrich is a member of the Executive Committee, Trust Division of the New York State Bankers Association, and at one time served as Chairman of the Bank Management Conference of New York City. He is also Vice-President and director of William L. Marsnall Ltd., manufacturers of veneer, hardwood and plastics.

* * *

George C. Johnson, President of **The Dime Savings Bank of Brooklyn, N. Y.,** announced on Feb. 24 that 1,858 safe deposit boxes recently purchased from the **Long Island Safe Deposit Company,** 189 Montague Street, Brooklyn, would be transferred over the week-end to "The Dime's" vault at Fulton Street and DeKalb Avenue, Brooklyn. The Long Island Safe Deposit Company, second oldest safe deposit company in the United States, is retiring from the safe deposit business. Organized in 1867, it has served residents and businessmen in the downtown Borough Hall section of Brooklyn for over 83 years. Present renters of these boxes began business at "The Dime" on Feb. 26.

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The **Auburn Savings Bank of Auburn, N. Y.,** announces the death of its President, William H. Seward, on Feb. 16.

* * *

Joseph Upton, President of **Queens County Savings Bank of Flushing, N. Y.,** has announced the appointment of four new Assistant Vice-Presidents and two new Assistant Secretaries. William C. Rollauer, Director of Public Relations and Assistant Secretary, James Hunter, Jr., Assistant Secretary, Dennis Doulos, Assistant Secretary and Robert F. Wellman, Assistant Secretary have been promoted to Assistant Vice-Presidents. Charles P. Rankin, Assistant Mortgage Supervisor and James J. Connell, Assistant Man-

ager, of the Corona Branch have been made Assistant Secretaries.

* * *

The First National Bank of Cutchogue, at Cutchogue, N. Y., with a capital stock of $35,000, was merged into the **North Fork Bank & Trust Company, at Mattituck, N. Y.** (capital $100,000), effective Jan. 26. Previously, on Dec. 16, an authorization certificate was issued for the North Fork Bank and Trust Co. incident to the conversion of the **Mattituck National Bank & Trust Co.** at Mattituck, into the North Bank and Trust Co.; the franchise of the Cutchogue bank as a national association was terminated as of Jan. 26.

* * *

Approval was given on Jan. 24 by the New York State Banking Department to a certificate of increase of the capital stock of the **Security Trust Co. of Rochester, N. Y.,** from $2,450,000 to $2,500,000. The stock is in shares of $25 each.

* * *

The taking over of the **Monson National Bank of Monson, Mass.,** by the **Springfield Safe Deposit & Trust Co. of Springfield, Mass.,** was indicated by the Office of the Comptroller of the Currency in its weekly bulletin of Jan. 22. The absorption of the bank occurred on Dec. 19, and it was placed in voluntary liquidation on Jan. 17. The bank had a capital of $50,000 common.

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George A. Butts, Vice-President, Treasurer and director of Winslow Bros. & Smith Co., was on Feb. 19 elected to the board of directors of the **State Street Trust Co. of Boston.**

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Robert J. Kiesling, President of **Camden Trust Company, Camden, N. J.,** announced on Feb. 21 that the sale of 62,500 additional shares of common stock authorized by the bank's shareholders at their annual meeting in January has been completed as per schedule. Of the $750,000 realized from the sale, $250,000 was added to common capital account and $500,000 to surplus account.

* * *

The purchase of the **First National Bank of Belleville, N. J.,** by the **Fidelity Union Trust Co. of Newark,** has been approved by the directors of the bank, at a price of approximately $80 a share, it was indicated on Feb. 15 by the bank's President, Peter Igoe, according to the Newark "Evening News." The stockholders will vote on the offer on March 27. The "News" reports Horace K. Corbin, President of Fidelity Union, as saying that the First National would be continued as Fidelity Union's Belleville office.

* * *

John McShain, President of John McShain, Inc., Philadelphia, building contractors, was on Feb. 13 elected a member of the board of directors of **The Pennsylvania Company for Banking and Trusts of Philadelphia.** Mr. McShain has received national recognition for his present work in rebuilding the White House and for his construction of Washington landmarks such as the Pentagon and State Department buildings, the Naval Hospital, the Jefferson Memorial and the National Air Port. He is also builder of the Roosevelt Memorial Library at Hyde Park.

* * *

The Fulton National Bank of Lancaster, Pa., increased its capital from $600,000 to $900,000 as of Jan. 3, the additional $300,000 having been brought about by a stock dividend of that amount.

* * *

As of Jan. 15, the **Hackley Union National Bank of Muskegon, Wis.,** increased its capital from $600,000 to $800,000 as a result of a $200,000 stock dividend.

Lifting the "Ticker Tape Curtain" In Colleges

By ROBERT B. MENSCHEL
Member of the New York Stock Exchange

Youngest member of New York Stock Exchange describes a financial exhibit recently held at Syracuse University and urges N. Y. Stock Exchange's public relations program should extend to educating college students in investment and exchange operations. Says such program of education should be long-range and all segments of securities industry should participate in it.

At a financial exhibit held recently at Syracuse University, a group of college students stood around a stock ticker and gazed at it as if a strange demon were inside. They were fascinated by the way the little machine "spat" miles of tape and made mysterious noises. Yet these were no children staring at a strange monkey at a zoo; these were intelligent, well-informed business students in a leading university staring at the symbol of American finance.

Robert Menschel

Most students in college today, even though they may be majoring in business, have little or no idea of what the stock market is or how it operates. But these same students are very much interested in learning about common stock investing. They have never been given the opportunity.

A few months ago while at college, I organized and sponsored an "Investment Week" display, the first display of its kind to be held at a college. The week-long exhibit was designed to familiarize the students with the operations of the security industry. Part of the display consisted of "live" stock, curb and news tickers and stock and bond certificates which we tried to present in as colorful and as interesting a manner as possible.

A great deal of emphasis in the Exchange's public relations program should be placed on educating these college students. The ideas and beliefs of the older generations, those that have witnessed the 1929 crash, will not be easy to change. But the young people do not look upon securities with distrust or suspicion. These college students are at an age when they are responsive to new ideas; and at the same time can be counted upon to spread the information they learn on to their parents.

Now is the time to acquaint our nation's college students, not by the spoonful but in large doses, with the securities industry. With the immense rise in the cost of living these students and their parents are beginning to question the advisability of investing in fixed interest securities. But the great body of students are not familiar with the opportunities available for investment in anything but fixed-income dollar securities.

Now is the time to launch an effective educational program in the universities explaining the securities markets and emphasizing the advantages offered by intelligent common stock investment. These opportunities must be revealed to the students. These benefits must be sold.

College men and women can and should be America's future investors. Most of the students' families are in the middle-income groups, and after graduation the students themselves will enter well-paid positions or the professions. In years to come, these groups will become the main investors in American business enterprise.

This vast potential market for securities still lies untapped. The business is there. What is needed is to provide a more widespread and well-planned program to acquaint students (and indirectly their parents) with the securities markets and the advantages of common stock ownership.

Wall Street must concentrate on providing the nation's colleges with easily digestible information concerning the basic, elementary characteristics of securities, their ownership and their markets.

In organizing the "Investment Week" at Syracuse University, I invited many brokerage firms to prepare educational exhibits for display. Some of the brokerage houses offered to send me an exhibit—but only with the understanding that they could solicit business.

Students and the general public naturally shied away from the exhibits in which they were high-pressured or openly solicited. This type of selling can only result in distrust and suspicion when dealing with students who do not understand the subject. Forward-looking brokerage firms realize that cut-throat competition just scares away the uninformed investor. Only by cooperative education will the base of common stock ownership grow.

A Long Range Program

The Exchange and the member brokerage firms must understand that their whole program of education is a long-range investment. They must realize that it will not or should not have to pay off immediately in dollars and cents.

There are many ways in which the securities business can help lift the "Ticker-tape Curtain" which surrounds the industry:

(1) "Investment Week" exhibits should be organized and sponsored by the Stock Exchange in colleges all over the nation, as an ideal means of educating college students and the university faculties. At the same time the general public, and especially women's clubs and fraternal groups, should be invited to visit the display. The prestige which an exhibit held in a university offers, cannot be overemphasized.

(2) Speakers' bureaus should be set up in each city where brokerage firms and colleges are located. Most colleges are very glad to invite an outside businessman to give a lecture in a class. Materials illustrating "how to invest" and "how to read a financial statement" should be prepared by the Exchange for use in college courses, to supplement the out-of-date textbooks now available in the field. Groups of high school and college students should be invited to visit the Exchange.

(3) Many business and economics professors who are teaching in our nation's colleges know very little about the securities business except that it is transacted on a mythical "Wall Street." Because of this the Fellowship Program offered college professors should be greatly expanded.

Who Should Sponsor Programs

Most of these programs should be sponsored by the Stock Exchange itself as they are about the only group with the necessary long-range perspective needed in a program of this type. In their educational program Wall Street is starting practically from scratch. They can not or should not expect immediate results.

The Stock Exchange has made a good start in educating the older public. But with the Exchange's present advertising budget of only around half-a-million dollars, a widespread and well planned program of education on **all** age levels is an impossible undertaking.

The National Association of Manufacturers, the Institute of Life Insurance and the American Medical Association each spend millions of dollars yearly to reinforce the public's acceptance of the services their industries offer.

The New York Stock Exchange, which has a service to sell that hasn't even achieved widespread public acceptance or understanding, cannot hope to accomplish its public relations goals on a budget of $460,000 a year.

If some of our nation's soap and cigarette manufacturers can spend millions of dollars to sell the public on their individual products, the securities industry should spend comparable amounts on advertising their service—a service which is a basic part of our economic system.

This is Wall Street's best hope of insuring broader interest and understanding of security ownership by college students in the years ahead.

The other day I received this bit of advice from an important elder member of the Exchange: "If you have any faith in the future of your country, young man, always keep your eye on—and your money in—longe-range, growth type investments."

That's sound advice, I think—and in the same way, educating college students to the facts concerning security ownership is also a growth-type investment. If the members of the security industry have any faith in the future of the nation's young people, they should realize that these college students are a worthwhile long-range investment.

George Moore With Mixter & Company

George E. Moore

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George E. Moore has become associated with Mixter & Co., 82 Devonshire Street, members of the New York and Boston Stock Exchanges. He was formerly with Hayden, Stone & Co. and prior thereto was manager of the unlisted department of Chandler Hovey & Co.

Flanagan Partner In Josephthal Co.

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that John J. Flanagan, a member of the New York Curb Exchange, has been admitted as a general partner in the firm.

Mr. Flanagan's admission to the firm was previously reported in the "Chronicle" of Feb. 15.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

During the next week or so you'll probably start reading how bad things are; business is off and going off worse; taxes will be so high that nobody will be able to exist and the war that we are stockpiling and preparing for, has been relegated to the limbo of the past.

After reading all these things the chances are you'll be ready to dump your stocks. This feeling will be bolstered by what will probably be a declining market. So there you'll have all the ingredients of a bear market and you loaded with stocks. What will be the thing you'll be most tempted to do? Sell or buy?

The answer will be to sell. For who buys stocks on a falling market? You? Don't be silly. You buy them on a rising market. You buy them when everybody agrees they're going higher; when the market place is full of forecasts of more new highs; in short you buy them when everything looks wonderful. So then if they start going down you're hung up at top prices, or at least high prices, feeling miserable and unfit to live with. I know. I've done all these things in the past.

Right now you can read market letters that warn you the top has been reached. Then you read other market letters that pooh-pooh the high price theory and point to continued prosperity. If you can make up your own mind after reading such conflicting views, you're wonderful. And if you're that unusual, nothing I can write will make any difference to you. In fact you should read this with detached amusement.

But in case you're looking for guidance and not for reading material, I'll try to fill the bill. At this point I start feeling kind of silly because I don't really have any inside information as to what the market will do and when it will do it. The best I can do is to watch and then, based on many interrelated factors, act accordingly.

For the past two weeks I've felt that a top was in the making. I saw small evidences of selling that confirmed my feeling. I therefore suggested one of two things. Postpone new buying, and grab off some profits while you could. The first isn't too difficult to follow; the second isn't so easy. With the tax department cutting itself into a big chunk of profits, if you sell anything after holding it less than six months, one wonders if selling is wise. My answer is that when a stock is to be sold then tax problems, commission costs, etc., must be disregarded.

If the stock is any good, and a reaction does come, you'll be able to buy it back at prices that will save you money even if the tax bite is included. The answer that a stock is held outright isn't impressive. My guess is that more money is lost in the aggregate by outright holders than during the old days when one could buy stocks for ten points. Holding them outright lulls one into a false sense of security.

After reading all this you're probably aware that I continue to think that stocks are going lower. But if you also get the impression that I think they'll eventually go higher, you're right. Summing it all up, it means I would suggest building up cash reserves and awaiting opportunities. Whether or not you'll know them as opportunities is something else. Basically, when everybody is tumbling over each other to sell that is the time to start buying. That period may not come for some weeks. It means you'll have to wait. But better wait with cash intact.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Truman Seeks Unified Plan on Credit Policies

In formal statement read at White House to high officials of Treasury, Federal Reserve and other agencies, President urges study of ways and means to restrain private credit expansion and, at same time, to make it possible to maintain stability in government bond market.

On Feb. 26, President Harry S. Truman, who met with high officials of departments and agencies of the government concerned with credit and money matters, read a prepared memorandum regarding the problem of restraining credit expansion without disturbing the stability of the market for Federal securities.

President Truman

Following is the text of the President's memorandum:

Memorandum for:

The Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Director of Defense Mobilization, the Chairman of Council of Economic Advisers.

I have been much concerned with the problem of reconciling two objectives: First, the need to maintain stability in the government security market and full confidence in the public credit of the United States, and second, the need to restrain private credit expansion at this time. How to reconcile these two objectives is an important facet of the complex problem of controlling inflation during a defense emergency which requires the full use of our economic resources.

It would be relatively simple to restrain private credit if that were our only objective, or to maintain stability in the government security market if that were our only objective. But in the current situation, both objectives must be achieved within the framework of a complete and consistent economic program.

We must maintain a stable market for the very large financing operations of the government. At the same time, we must maintain flexible methods of dealing with private credit in order to fight inflation. We must impose restraints upon nonessential private lending and investment. At the same time, we must maintain the lending and credit facilities which are necessary to expand the industrial base for a constant build-up of our total economic strength.

Instead of fighting inflation by the traditional method of directing controls toward reducing the over-all level of employment and productive activity, a defense emergency imposes the harder task of fighting inflation while striving to expand both employment and production above what would be regarded as maximum levels in normal peacetime.

What we do about private credit expansion and about the government securities market is, of course, only a part of the problem that confronts us. A successful program for achieving production growth and economic stability in these critical times must be based upon much broader considerations.

We must make a unified, consistent, and comprehensive attack upon our economic problems all along the line. Our program must include, in proper proportion, production expansion policy, manpower policy, tax policy, credit policy, debt management and monetary policy, and a wide range of direct and indirect controls over materials, prices and wages. All of these policies are necessary; each of them must be used in harmony with the rest; none must be used in ways that nullify others.

Striving for Unified Program

We have been striving in this emergency to develop such a unified program in the public interest. Much progress has already been made, both on the production front and on the anti-inflation front. Many peacetime activities of government, including the activities of lending and financing agencies, have been pruned down.

Cutbacks of civilian supplies and allocations of essential materials have been successfully undertaken. Important expansion programs for basic materials and productive capacity needed in the defense effort have been gotten under way. Price and wage controls have been initiated. Restraints on consumer and real estate credit have been applied. Large tax increases have been enacted, and additional tax proposals are now pending. In all these fields further action is being planned and will be taken as needed.

One outstanding problem which has thus far not been solved to our complete satisfaction is that of reconciling the policies concerning public debt management and private credit control. In considering the difficulty of this problem, we should not be discouraged because an ideal solution has not yet been found. The essence of this problem is to reconcile two important objectives, neither of which can be sacrificed.

On the one hand, we must maintain stability in the government security market and confidence in the public credit of the United States. This is important at all times. It is imperative now. We shall have to refinance the billions of dollars of government securities which will come due later this year. We shall have to borrow billions of dollars to finance the defense effort during the second half of this calendar year, first assuming the early enactment of large additional taxes, because of the seasonal nature of tax receipts which concentrate collections in the first half of the year, and because of the inevitable lag between the imposition of new taxes and their collection by the Treasury. Such huge financial operations can be carried out successfully only if there is full confidence in the public credit of the United States based upon a stable securities market.

On the other hand, we must curb the expansion of private loans, not only by the banking system but also by financial institutions of all types, which would add to inflationary pressures. This type of inflationary pressure must be stopped, to the greatest extent consistent with the defense effort and the achievement of its production goals.

Problem of Stability of Government Securities

The maintenance of stability in the government securities market necessarily limits substantially the extent to which changes in the interest rate can be used in an attempt to curb private credit expansion. Because of this fact, much of the discussion of this problem has centered around the question of which is to be sacrificed—stability in the government securities market or control of private credit expansion. I am firmly convinced that this is an erroneous statement of the problem. We need not sacrifice either.

Changing the interest rate is only one of several methods to be considered for curbing credit expansion. Through careful consideration of a much wider change of methods, I believe we can achieve a sound reconciliation in the national interest between maintaining stability and confidence in pubilc credit operations and restraining expansion of inflationary private credit.

We have effective agencies for considering this problem and arriving at a proper solution.

Over the years, a number of important steps have been taken toward developing effective machinery for consistent and comprehensive national economic policies. One of the earliest steps in this century was the establishment of the Federal Reserve System before World War I. At that time, under far simpler conditions than those now confronting us, the Federal Reserve System was regarded as the main and central organ for economic stabilization.

After World War II, in a much more complex economic situation and a much more complex framework of governmental activities affecting the economy, the Council of Economic Advisers was established by the Congress under the Employment Act of 1946 to advise the President and help prepare reports to the Congress concerning how all major economic policies might be combined to promote our economic strength and health. Still more recently, in the current defense emergency, the Office of Defense Mobilization has been established to coordinate and direct operations in the mobilization effort. In addition, some of the established departments, such as the Treasury Department, have always performed economic functions which go beyond specialized problems and affect the whole economy.

A Joint Study Proposed

Consequently, I am requesting the Secretary of the Treasury, the Chairman of the Federal Reserve Board, the Director of Defense Mobilization, and the Chairman of the Council of Economic Advisers to study ways and means to provide the necessary restraint on private credit expansion and at the same time to make it possible to maintain stability in the market for Government securities. While this study is under way, I hope that no attempt will be made to change the interest-rate pattern, so that stability in the Government security market will be maintained.

Among other things, I ask that you consider specifically the desirability of measures (1) to limit private lending through voluntary actions by private groups; through Government - sponsored voluntary actions such as was done in a narrow field by the Capital Issues Committee of World War I, and through direct Government controls; and (2) to provide the Federal Reserve System with powers to impose additional reserve requirements on banks.

Under the first heading, I am sure that you are aware of the efforts that are already under way by the American Bankers Association, the Investment Bankers Association, and the Life Insurance Association. I want you to consider the desirability of this or other kinds of private voluntary action in bringing about restraint on the part of lenders and borrowers.

I should like you to consider also the establishment of a committee similar to the Capital Issues Committee of World War I, but operating in a broader area. The objectives of such a committee would be to prevail upon borrowers to reduce their spending and to curtail their borrowing, and to prevail upon lenders to limit their lending. The activities of this committee could be correlated with those of the defense agencies under Mr. Wilson with the objective of curtailing unnecessary uses of essential materials.

Furthermore, I should like you to consider the necessity and feasibility of using the powers provided in the Emergency Banking Act of 1933 to curtail lending by member banks of the Federal Reserve System. These powers are vested in the Secretary of the Treasury subject to my approval. The Secretary could by regulation delegate the administration of this program to the twelve Federal Reserve Banks, each to act in its own Federal Reserve District under some flexible procedure. The program could be extended to institutions other than member banks, if desired, by using the powers provided by the Trading With the Enemy Act.

Wants Congress to Legislate on Bank Reserves

Under the second heading, you will recall the recommendation I made to the Congress a number of times in recent years to provide additional authority for the Federal Reserve System to establish bank reserve requirements. I should like you to consider the desirability of making that or another recommendation with the same general purpose at the present time.

You are all aware of the importance of this problem, and the need for an early solution. I should like your study to proceed as rapidly as possible in order that I may receive your recommendations at a very early date. I am asking the Director of Defense Mobilization to arrange for calling this group together at mutually convenient times.

At the same time that we are working to solve this problem of maintaining the stability of the Government securities market and restraining private credit expansion, we shall, of course, continue vigorously to review Government lending and loan guarantee operations. Since the middle of last year, we have taken a series of steps to curtail such operations and limit them to amounts needed in this defense period. I am directing the agencies concerned to report to me by March 15 on the nature and extent of their current lending and loan guarantee activities, so that these operations may again be reviewed as part of our over-all anti-inflationary program.

HARRY S. TRUMAN.

Boston Inv. Club Dinner Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held on March 7, 1951 at the Boston Yacht Club at 5:30 p.m.

The speaker will be Mr. William F. Morton, Vice-President of the State Street Investment Corp. The subject will be "Outlook for Oil Securities."

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Nicholas M. Lambert has joined the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Joins Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—W. Leslie Miller is now with Stifel, Nicolaus & Co., Inc., 314 North Broadway, members of the Midwest Stock Exchange.

Frederic Pakas Joins Bache & Co. Office

Bache & Co., members of the New York Stock Exchange, announce that Frederic A. Pakas is associated with their office in the Chrysler Building, New York City, as registered representative. Mr. Pakas was recently with Paine, Webber, Jackson & Curtis. Prior thereto he conducted his own investment business in New York, was with T. J. Feibleman & Co. in their New York office and was with Keane & Co. of Detroit.

F. A. Pakas

$50,000,000 World Bank Bonds Marketed

Marks First Financing in U. S. Since January, 1950

The Chase National Bank, The First Boston Corporation, C. J. Devine & Co., and Salomon Bros. & Hutzler, as managers of a group of 32 sponsors, have entered into an agreement with the International Bank for Reconstruction and Development under which they made a public offering on Feb. 28 of $50,000,000 25-year, 3% bonds, at par and accrued interest from March 1, 1951. The first Boston Corporation is handling the subscription books.

This is the first financing by the World Bank in the American market since January, 1950, and is expected to provide the Bank with sufficient funds for its lending program for a period of several months. Approximately 420 banks and securities dealers are being invited to subscribe to the bonds on selling group terms. About half of the issue will be placed with institutions for the account of the sponsors. The sponsors will receive a fee from the Bank for services and advice and for the placement of group sales on which no selling concession will be paid by the Bank.

The new bonds, which are expected to be available for delivery on or about March 8, are to have a sinking fund, beginning in the 12th year, calculated to retire 50% of the issue prior to maturity. The bonds will be redeemable at the option of the Bank on 45 days' notice at 102½ through March 1, 1956, 102 through March 1, 1961, 101¼ through March 1, 1966, 100¾ through March 1, 1971, and at par thereafter.

(Reference to the financing previously was made in the "Chronicle" of Feb. 15, on page 5, wherein appeared names of the group managers and the sponsoring group.)

With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Herbert M. Hauser has become associated with Hooker & Fay, 315 Montgomery Street, members of the San Francisco Stock Exchange. He was formerly for many years with Sutro & Co.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Roy F. Hanaford, J. Harlan Pease and John C. Wholley have become associated with Coburn & Middlebrook, Inc., 75 Federal Street. Mr. Pease and Mr. Wholley were previously with R. H. Johnson & Co.

HIGHLIGHTS OF THE 39TH ANNUAL REPORT OF THE

Commercial Credit Company

The activities of Commercial Credit Company are carried on in three main divisions, consisting of Finance Companies, Insurance Companies and Manufacturing Companies.

COMMERCIAL CREDIT PLAN

Consolidated operations and net income from current operations for 1950 were larger than for any previous year in the history of the Company.

Consolidated Balance Sheet as of December 31, 1950

ASSETS

CURRENT ASSETS:		
Cash in banks and on hand		$ 74,873,853.85
Marketable Securities:		
U. S. Government Obligations	$ 55,132,256.69	
Other Marketable Securities	8,656,255.53	
	$ 63,788,512.22	
Less Reserves	145,607.20	63,642,905.02
Accounts and Notes Receivable:		
Motor and Other Retail and "F.H.A."	$438,570,311.00	
Motor and Other Wholesale	127,042,417.81	
Open Accounts, Notes, Mortgages and Factoring Receivables	78,446,399.59	
Direct or "Personal Loan" Receivables	22,579,165.20	
Sundry Accounts and Notes	3,076,686.63	
Total	$669,714,980.23	
Less Reserves for:		
Unearned Income	$ 26,084,163.10	
Losses on Accounts and Notes	10,783,236.59	
Total Reserves	$ 36,867,399.69	632,847,580.54
Other Current Assets:		
Trade Accounts and Notes Receivable "Manufacturing Companies"	$ 7,206,515.37	
Premiums Receivable—"Insurance Companies"	309,585.53	
Claims against U.S. and Canadian Governments—Taxes, etc.	222,119.19	
Inventories—"Manufacturing Companies"	8,764,064.72	16,502,284.81
Total Current Assets		$787,866,624.22
FIXED AND OTHER ASSETS:		
Land, Buildings, and Equipment "Manufacturing Companies"	$ 6,632,444.20	
Company Cars—used by Representatives	1,278,648.14	
Cash Surrender Value Life Insurance	109,759.67	
Repossessions—at depreciated values	261,993.50	8,282,845.51
DEFERRED CHARGES:		
Prepaid Interest and Discount	$ 1,868,390.29	
Prepaid Insurance and Expenses	843,762.56	2,712,152.85
		$798,861,622.58

LIABILITIES, CAPITAL AND SURPLUS

CURRENT LIABILITIES:		
Notes Payable—Unsecured Short Term		$432,848,500.00
Accounts Payable:		
Credit Balances of Manufacturing and Selling Agents	$ 13,611,102.02	
Sundry	8,787,364.71	
Due Customers only when Receivables are collected	7,543,138.34	29,941,605.07
Accrued Income and Excess Profits Taxes		23,057,185.81
Accrued Other Taxes		2,602,180.84
Customers' Loss Reserves		16,928,122.16
Total Current Liabilities		$505,377,593.88
UNEARNED PREMIUMS—"INSURANCE COMPANIES"		30,117,051.83
RESERVES FOR:		
Losses and Loss Expense—"Insurance Companies"	$ 4,069,468.73	
Fluctuations in Security Values	886,442.54	
Canadian Exchange Fluctuations	587,127.01	5,543,038.28
UNSECURED NOTES:		
Notes, 2¾% due serially—1953-1957	$ 41,500,000.00	
Note, 3% due 1963	50,000,000.00	91,500,000.00
SUBORDINATED UNSECURED NOTES:		
Notes, 3% due 1957	$ 25,000,000.00	
Notes, 3.95% due 1964	25,000,000.00	50,000,000.00
MINORITY INTEREST IN SUBSIDIARIES		35,898.95
CAPITAL STOCK AND SURPLUS:		
Common Stock—$10 par value:		
Authorized—3,000,000 shares		
Issued and Outstanding—2,278,812 full shares and 161 shares of fractional scrip	$ 22,789,730.00	
Capital Surplus	38,042,919.93	
Earned Surplus	55,455,389.71	116,288,039.64
		$798,861,622.58

A Few Facts, as of December 31, 1950 and 1949

CONSOLIDATED OPERATIONS	1950	1949
Gross Finance Receivables Acquired	$2,346,583,865	$1,971,773,386
Gross Insurance Premiums, Prior to Reinsurance	42,739,802	50,735,007
Net Sales of Manufacturing Companies	84,992,183	76,106,064
Gross Income	106,138,880	93,303,381
Net Income from Current Operations, before Taxes on Income	41,022,804	30,805,719
United States and Canadian Income Taxes	19,869,293	13,035,003
United States Federal Excess Profits Tax	1,300,000	—
Federal Taxes on Income—per share*	9.28	7.07
Salaries, Wages, Commissions	43,059,111	39,894,856

NET INCOME	1950	1949
Finance Companies	$10,925,044	$9,157,253
Insurance Companies	5,397,361	5,486,049
Manufacturing Companies	3,531,106	3,127,415
Net Income from Current Operations	$19,853,511	$17,770,717
Net Income per share on Common Stock*	$8.64	$9.16
Net Income per share on present capitalization of 2,278,973 shares of Common Stock outstanding—no allowance for dividends on Preferred Stock	8.71	7.79
Book Value per share—Common Stock*	51.02	45.00

*On shares outstanding at end of each year

COMMERCIAL CREDIT COMPANY AND SUBSIDIARIES — BALTIMORE 2, MARYLAND

More than 300 Offices in Principal Cities of the United States and Canada

Mutual Funds

By ROBERT R. RICH

RETAIL TRADE OUTLOOK during the balance of 1951 is "reasonably favorable" and "it appears likely that total retail volume in the current year will be at least as high as the record level of 1950 and probably higher," according to an analysis by Calvin Bullock in its monthly "Perspective." Dollar sales of all retail stores in 1950 are estimated to have established a new high of approximately $139 billion. The previous peak was $130 billion in 1948, with a slight decline in 1949 to $128 billion.

Taxes are certain to be higher, but not enough to reduce disposable personal income, which is—the primary determinant of total retail sales.

"It is even more likely that there will be an important change in the character of total retail volume, with nondurable or 'soft' goods absorbing a considerably larger proportion of the total," the review states. "This development would be in line with the pattern which evolved during the war years, when nondurable goods sales increased from 73.3% of the total in 1940 to 84.6% in 1944."

The economic climate of the nation during the rearmament effort "should prove relatively healthy for most types of retailers—perhaps particularly so in the case of department stores," the analysis observed, for "as goods become more difficult to obtain the pressure of competition must begin to ease somewhat and the seller moves into a more dominant position in respect to the buyer. Goods begin to sell more frequently for cash, and charge and installment accounts decline."

Copies of this "Perspective" are available without obligation from Calvin Bullock, 1 Wall Street, New York City 5.

FIGURES INDICATING increasing acceptance of mutual funds by institutions and individuals who are normally purchasers of large blocks of securities have just been released by Eaton & Howard, Incorporated, Managers of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund.

In 1950 approximately 24% of the sales of Eaton & Howard Balanced Fund and 18% of sales of Eaton & Howard Stock Fund represented purchases in excess of $25,000 each—averaging $44,794. Total assets of these two Funds on Feb. 15, 1951 were $76,343,000 compared with $56,308,000 a year ago.

THE WAR ECONOMY favors discount bonds, according to Keystone's latest discussion. Stating that we know that production for defense means continued high levels of business activity and also that the cost of defense will mean higher levels of taxation (the corporate tax rate has climbed from 38% to 42% to 47% in the last two years, with an estimated 55% talked of for 1951), the report deduces that one broad type of security-discount bonds, stands to benefit from these trends for three reasons:

(1) Bond interest is a prior charge—before taxes. As corporate taxes are not computed until after bond interest has been deducted from earnings, increased corporate tax rates, which might reduce preferred and common dividends, will not affect bond income.

(2) Because discount bonds tend to pay interest at relatively generous rates, they have become increasingly popular for investment when the aim is to offset the decline in purchasing power resulting from higher living costs and higher personal taxes.

(3) Selling at discounts from par value, in times of good business, their increased earnings and improved interest coverage have tended in the past to bring a rise in prices. Today some of these bonds are still available at discounts of from 15% to 20% under par.

Further information on this situation, Keystone's four bond funds, measurement of their activity, performance record and Keystone's Formula Plan methods are available from Keystone Company of Boston, 50 Congress Street, Boston 9, Mass.

ELECTION OF Herbert R. Anderson as President of Group Securities, Inc. was announced Tuesday following a meeting of

Kenneth S. Gaston Herbert R. Anderson

the directors. Executive Vice-President since 1938, Mr. Anderson succeeds Kenneth S. Gaston who was elected Chairman of the board. Both have been leading executives of the company since its organization in 1933, and both hold similar offices with the company's national sponsor and investment manager, Distributors Group, Inc.

Mr. Gaston was with Allied General Corporation when it merged with Distributors Group in 1933. It was also during this year that Mr. Anderson joined Distributors Group.

Kenneth Gaston was with John Nickerson, Inc., prior to his association with Allied General, where he served as general sales manager, a director and member of the executive committee. Until 1922, he was assistant to the New York National Bank of Commerce's economist and editor of its economic publication, "Commerce Monthly."

Herbert Anderson, prior to joining Distributors Group, was with Founders Group and earlier, with Lamont Corliss & Co.

Long prominent in industry activities in the mutual fund field, Mr. Anderson is a member of the Investment Company Committee of the Investment Bankers Association and of the National Association of Securities Dealers, Inc. He is also a member of the Executive Committee of The National Association of Investment Companies.

Group Securities, one of the oldest and largest mutual investment companies in the United States, has assets in excess of $75,000,000.

STOCK PRICES in general have moved up and down with the nation's living costs over the first 50 years of the 20th Century, according to a study-chart published here for shareholders of Investors Stock Fund, Inc., mutual fund affiliate of Investors Diversified Services, Inc.

Charting both stock prices and living cost variations on an equal index basis between 1900 and 1950, the "Stock Fund Investor" illustrates that by and large each has moved as the other has during the 50 years as a whole.

The study illustrates that stock prices were rising in some years while living costs were going down while in other periods the reverse was true.

Over the entire half century, however, the two have moved fairly closely from a selected equal index of 100% in 1900 to approximately equality of around 300% in 1947-48, with stock prices climbing since then. The chart index shows that stock price averages have remained almost continuously far above comparable living cost averages since the middle 1930s, with only two slight stock price dips below the living cost line in the 1940s.

WARTIME AND POSTWAR price fluctuations and the effectiveness of government controls are discussed in the February "Letter" of Broad Street Sales Corp.

The charts and figures shown indicate that the movement of prices during both World Wars I and II was quite similar—and that prices responded quite similarly to the separate steps taken to restrict increases. For instance, while the general price freeze such as that issued on Jan. 26, 1951 by the Office of Economic Stabilization slowed down the pace of the upward spiral as — during World War II, prices continued to rise until farm prices were put under rigid controls.

The study includes a small table showing the level of prices after various war periods in the history of the United States. The table and charts indicate that the present base period (Dec. 19, 1950 and Jan. 25, 1951) means ceilings on manufactured goods and services at close to the highest prices ever reached. In discussing the probable further steps to control prices and their effectiveness, the publication comments:

"The government, then, is promoting stabilization with flexibility, rather than a rigid 'hold the line' set of regulations. As a result, there will undoubtedly be a continued upward movement in the price indexes. . . . A substantial degree of restraint was maintained on prices during the greater part of the actual fighting in World War II, even though farm prices were allowed to rise much more than other prices. After our experience of World War II, it may be that the government will move more rapidly toward adequate controls than it did at that time. But . . . the government may find it more difficult to devise and enforce controls in the partial mobilization now contemplated than in an all-out war."

A SHARE FOR YOU has proved to be one of Commonwealth's most effective brochures. The sales copy develops, with accompanying illustrations, the basic idea of a mutual fund. A 10-year investment record, the advantages of compounding earnings and portfolio analysis are included topics in this colorful pamphlet. Write North American Securities, 2500 Russ Building, San Francisco 4, Calif.

"MAYBE YOU'LL LAUGH at me, but I was worried because I

Continued on page 35

Ceiling Price on Rum Only 63 Cents a Gallon —In 1776, That Is

Edward Hale, our Boston Fund man, sends us a few words occasionally. Recently he ferreted out an AP dispatch which discloses that on Dec. 31, 1776, a wage and price ceiling law was adopted by the General Assembly of the State of Rhode Island and Providence Plantations. In Ed's words, "Apparently the colonials were stirred up about profiteering because the old law denounced 'the unbounded avarice of many persons,' and said war porfiteering 'disheartens and disaffects the soldiers who have nobly entered into service' and whose pay 'is not sufficient to subsist them'."

Here is a schedule of some of the ceilings on wages and prices in 1776:

	Ceiling Wage or Price in 1776
Milk—per gal.	9c
Rum—per gal.	63c
Tobacco—per lb.	5c
Turkeys—per lb.	9c
Carpenters—per day	70c
Tailors—per day	42c

Mr. Hale also told us that the forthcoming Boston Fund Annual Report will reveal the biggest year in its history. Assets of the Fund jumped by $15,397,369 to reach a total of $63,799,068. Shares outstanding are at 2,763,628 and shareholders number 16,029. In the past year, investment diversification among industries increased from 14 to 20, and the number of individual companies in the portfolio increased from 65 to 84.

Joseph Bond Joins Joseph McManus Co.

Wm. J. Mericka & Co. Inc. announces that the New York Stock Exchange firm of Joseph McManus & Co., 39 Broadway, New York City, will act as the New York correspondent of the Mericka firm, with a direct private wire between New York and Cleveland, under the supervision of Joseph Bond. Mr. Bond had been with Wm. J. Mericka's New York office, on the Cleveland wire for eight years.

Joseph Bond

Customers' Brokers To Hold Meeting; Committees Announced

The Association of Customers' Brokers will hold its regular quarterly meeting on March 21 at Schwartz's Restaurant, 54 Broad Street, New York City.

Committee heads for 1950-51 have been announced as follows

Education Committee: Marshall Dunn, Wood, Struthers & Co.

Membership Committee: Alfred Elsesser, Kidder, Peabody & Co.

Insurance Committee: Robert Davidson, Fahnestock & Co.

Entertainment Committee: T. Alvah Cowen, Peter P. McDermott & Co.

Pension Committee: Kenneth Ward, Delafield & Delafield.

Grievance Committee: Donald C. Blanke, Eastman, Dillon & Co.

Legal & Research Committee: Richard M. Ross, Dean Witter & Co.

National Chapters Committee: Jack Huhn, Bache & Co.

Public Relations Committee: Thomas B. Meek, Francis I. du pont & Co.

Professional Ethics in Business: Joseph Doctor, Laidlaw & Co.

Activating Committee: William Specht, Hay, Fales & Co.

Several of the committee chairmen have announced composition of their committees and will welcome the cooperation of any other members who wish to serve. In addition to the chairmen, the following have been appointed:

Entertainment: Albert F. Frank, Ladenburg, Thalmann & Co.; John J. Tuffy, Stokes, Hoyt & Co.; Edward A. Wickman, Abbott, Proctor & Paine.

Membership: Edward Wickman, Abbott, Proctor & Paine; Alfred Vogel, Abraham & Co.; Jack Huhn, Bache & Co.; Albert Gross, Bear, Stearns & Co.; Richard M. Ross, Dean Witter & Co.; Kenneth Ward, Delafield & Delafield; Paul Katz, Dreyfus & Co.; Greg Lawrence, F. I. duPont & Co.; Nicholas Novak, Drysdale & Co.; Archie Rhinehart, Eastman, Dillon & Co.; William Cogswell, Fahnestock & Co.; Henry Offerman, Goodbody & Co.; Evelyn Brandt ValVerde, Gruntal & Co.; William Specht, Hay, Fales & Co.; N. Leonard Jarvis, Hayden, Stone & Co.; Maurice Glinert, Hirsch & Co.; Mary Neville, E. F. Hutton & Co.; Joseph Doctor, Laidlaw & Co.; Walton Ferguson, C. J. Lawrence & Co.; T. Alvah Cowen, Peter P. McDermott & Co.; Gerald Grosbeck, Merrill Lynch, Pierce, Fenner & Beane; Ralph Powers, Montgomery, Scott & Co.; Phillip Lynch, Newburger, Loeb & Co.; Milton Leeds, Pershing & Co.; William Clift, Reynolds & Co.; G. Warner, L. F. Rothschild & Co.; John MacLean, Shearson, Hammill & Co.; Marshall Dunn, Wood, Struthers & Co.; John Tilney, Wood, Walker & Co.

Education: Pierre R. Bretey, Baker, Weeks & Harden; Joseph C. Cabble, Abraham & Co.; Nicholas E. Crane, Dean Witter & Co.; Daniel F. Davison, Hayden, Stone & Co.; N. Leonard Jarvis, Hayden, Stone & Co.; Gregory M. Lawrence, Francis I. duPont & Co.; Anthony Smith, G. H. Walker & Co.; Edward S. Wilson, Reynolds & Co.

Insurance: Joseph Alberti, Walston, Hoffman & Goodwin; John Tilney, Wood, Walker & Co.; H. G. Brown, Baker, Weeks & Harden.

Halsey, Stuart Group Offers Consol. Ed. Bds.

Halsey, Stuart & Co. Inc. and associates on Feb. 28 offered $60,000,000 Consolidated Edison Co. of New York, Inc. first and refunding mortgage bonds, 3% series F, due Feb. 1, 1981. The bonds are priced at 101.994% and accrued interest, and were won by the group at competitive sale on Feb. 27 at a bid of 101.459991%.

Proceeds from the sale of the bonds will be used to repay $60,000,000 of short term bank notes and the balance will be added to the company's general corporate funds. The unsecured notes to be discharged were issued in connection with the interim financing of the company's construction program.

The company is engaged in a construction program which, it is estimated, will involve expenditures of approximately $305,000,000, on the basis of present price levels and conditions, for the years 1951 through 1955. It is further estimated, that on account of this program, the company will be required to finance through the sale of securities, the type of which has not been determined, or otherwise, approximately $100,000,000.

The bonds will be redeemable at prices ranging from 105% to par. Special redemption prices run from 102% to par.

Consolidated Edison Co. of New York, Inc. supplies electric service in the Boroughs of Manhattan, The Bronx, Brooklyn and Queens, all in the City of New York, and in parts of Westchester County; gas service in the Boroughs of Manhattan and The Bronx, in parts of the Borough of Queens and Westchester County; Staten Island Company supplies electricity in the Borough of Richmond, and the Steam Corporation supplies steam service in parts of the Borough of Manhattan.

NSTA Notes

THE BOND CLUB OF SYRACUSE, N. Y.

At the annual dinner meeting of the Bond Club of Syracuse, held at the Bellevue Country Club on Feb. 20, 1951, the following officers were elected for the coming year:


Norman C. Schmidt


Francis Q. Coulter


Charles T. Heaton

Norman C. Schmidt, c/o Clarence Goodelle--------President
Warren R. Wallace--------------------------Vice-President
Francis Coulter, Syracuse Trust Company----------Treasurer
Charles T. Heaton, W. N. Pope, Inc.----------------Secretary

The Board of Governors for the current year is composed of the following members: Harry C. Copeland, Reynolds & Co.; Delwin H. Gidley, Geo. D. B. Bonbright & Co.; Alvin J. Grabau, Grabau-Buchman; John P. Miles, Blair F. Claybaugh & Co.; Everett W. Snyder, E. W. Snyder & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standings as of Feb. 23 are as follows:

Team—	Won	Lost
Donadio (Capt.) Demaye, O'Connor, Whiting, Workmeister	7	2
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	5	4
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	5	4
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	5	4
Mewing (Capt.), Klein, Flanagan, Manney, Ghegan	5	4
Leone (Capt.), Krasowich, Nieman, Pollack, Gavin	5	4
Goodman (Capt.), Casper, Valentine, M. Meyer, H. Frankel	4	5
Krisam (Cept.), Bradley, Montanyne, Weissman, Gannon	4	5
Serlen (Capt.), Gersten, Gold, Krumholz, Young	4	5
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	4	5
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	4	5
H. Meyer (Capt.), Smith, Farrell, A. Frankel, LaPato	2	7

On Tuesday evening, Feb. 20, 1951, the New York Bowlers traveled to Philadelphia and engaged them in a team match. Twelve games were bowled and New York won nine of them. The total pins were: New York, 8,660; Philadelphia, 8,303.

The high game went to Ricky Goodman (Shields & Co.) with a score of 229 and the high series of 548. Dick Heward of Philadelphia had high game of 189. The high Philadelphia series was Bill Doerr with 489.

Winners Announced in Dow-Jones Forecast

PHILADELPHIA, Pa. — Ticker prices in the last hour of trading on the New York Stock Exchange Feb. 21 held more than the usual amount of interest for the 300-odd prognosticators who had undertaken to name the exact closing a full year in advance. The occasion was Stroud & Co.'s annual reception preceding the Investment Traders Association dinner.

When the final Dow-Jones Industrial Average closing of 252.28 was posted, it was apparent that B. W. Pizzini, B. W. Pizzini & Co., New York, had forecast himself into $100 first price with a shrewd estimate of 252.25. Runners-up were Gus Schlosser, Union Securities Co., New York, 252.00; W. G. Carrington, Jr., New York, 253.00, and John McGarvey, Martin & Co., Philadelphia, 251.35.

In the second-guess department —estimates dated Feb. 1, 1951— top honors were divided between R. D. Wood, Jr., Wright, Wood & Co., Philadelphia, and E. C. Loebmann, Asiel & Co., New York, both of whom had forecast a close 252.25.

With H. H. Butterfield

(Special to The Financial Chronicle)

JACKSON, Mich.—Michael S. Denachuck is with H. H. Butterfield & Co., Jackson City Bank & Trust Co. Building.

Inv. Ass'n of N.Y. Lists Committee Members

The Investment Association of New York has appointed the following committees:

Membership: Renwick E. Case, Discount Corp. of N. Y., Chairman; Joseph A. Lee, Reynolds & Co.; Donal McDonnell, McDonnell & Co.; Frank Streeter, Tucker Anthony & Co.; Paul Sipp, First of Michigan Corp.; Sidney Duffy, Blyth & Co., Inc.

Publications and Publicity: T. Alexander Benn, Merrill Lynch, Pierce, Fenner & Beane, Chairman; Douglas Williams, Goodbody & Co.; Edmund C. Lynch, Jr., Merrill Lynch, Pierce, Fenner & Beane.

Program: Ralph Hornblower, Jr., Hornblower & Weeks, Chairman; W. Michael Giblin, Jr., American Securities Corp.; Lorrin C. Mawdsley, D'Assern & Co.

Education: Edward D. Toland, Jr., Shields & Co., Chairman; Clifford E. Grey, Spencer Trask & Co.; Joseph A. Lettman, Merrill Lynch, Pierce, Fenner & Beane.

Entertainment: John C. Hagan, White, Weld & Co., Chairman; Roscoe B. Ayers, Jr., Hemphill, Noyes, Graham, Parsons & Co.; Wilbur W. Buran, Jr., Harriman Ripley & Co., Inc.; J. Malcolm de Sieyes, Hemphill, Noyes, Graham, Parsons & Co.; John A. Van Raalte, Goldman Sachs & Co.

Pennsylvania Brevities

Philadelphia to Be New Steel Center

Actual construction work on two new plants for the production of steel in the Philadelphia metropolitan area has started. The Fairless Works of the United States Steel Corp., to be located at Morrisville, 11 miles north of Philadelphia, will cost an estimated $400,000,000 and will have an annual capacity of 1,800,000 tons. The Paulsboro, N. J., plant of National Steel to be erected across the Delaware River south of Philadelphia, will cost $200,000,000 and produce 1,000,000 tons of steel annually. Both projects have received Certificates of Necessity from the National Security Resources Board and will get top priority in men and materials. Some units are expected to be in production by the end of the year.

Last month Colorado Fuel & Iron Co. announced its purchase of the facilities of Worth Steel Co. at Claymont, Del., and its intention of enlarging and expanding existing productive capacity.

Jones & Laughlin, Republic Steel and Youngstown Sheet & Tube Co. are expected to reveal plans for the construction of new plants in the area.

Of related significance is the discovery and purchase by Bethlehem Steel Corp. of a new and rich deposit of iron ore at Morgantown, Penna., about 15 miles from Reading. Construction of a steel plant in the Philadelphia area by Bethlehem is regarded as far more than a possibility.

Several factors have combined to bring about the projected migration of the steel producing industry to this section. The Basing Point price system was eliminated in 1948, thus forcing eastern seaboard users of steel to pay costly and ever-increasing freight rates. By locating near Philadelphia, steel plants will be able to use iron ore shipped direct from Labrador and Venezuela by cargo vessel. Transportation facilities of the area are entirely adequate. Besides the three major railroads serving the district, Philadelphia is linked with the Middle West by the Pennsylvania Turnpike and with New England via the New Jersey Turnpike and New York Parkway systems. Not only will the new plants enable the respective producers to compete more effectively for business represented by industries already located on the eastern seaboard, but it is inevitable that hundreds of new "satellite" industries will be attracted to locations near the new sources of steel.

A forecast of what the new industrial development may mean to some of the publicly-owned companies operating within the area is set forth in a brochure published by Gerstley, Sunstein & Co., members New York Stock Exchange, 121 South Broad Street, Phila. From the foreword:

"We envisage new construction which should eventually run well beyond one billion dollars. The effects of the construction alone will be a great stimulant to all forms of economic activity in the area. New housing will be needed to accommodate the thousands of additional workers who will be drawn to this area by the high wages paid by the steel industry. High on the list of those to benefit will be retailers of foods and goods, owners of real estate and places of amusement. The petroleum industry should be a prime participant especially from the sale of gasoline and oil for automobiles and trucks as well as fuel for home and industrial heating. Utilities will benefit particularly from the increase in domestic load which is likely to become permanent."

Under the headings, Steel, General Industry, Petroleum, Power, Transportation, Construction and Retail Trade, the analysis lists brief statistical data on 33 companies and discusses in greater retail a specific selection in each of the seven classifications.

* * *

Pittsburgh Fares Raised

PITTSBURGH—An increase in trolley and bus fares, estimated to increase annual revenues by $2,376,000, became effective on lines of the Pittsburgh Railways Co. on Feb. 18. Basic cash fares of 15 cents on trolleys and 20 cents on buses are unchanged, but trolley tokens were raised from 12 to 13¾ cents and bus tokens from 15 to 17½ cents.

* * *

Still Struggling Feebly

PHILADELPHIA — When, on Feb. 6, the Pennsylvania Public Utility Commission permitted Philadelphia Transportation Co. to make effective fare increases previously filed with the Commission, attorneys Joseph Sharfsin and H. Jerome Jaspan, representing the Citizens Committee Against the Fare Rise, collectively gnashed their well-known bicuspids in an effort to induce the State Superior Court to halt proceedings on the grounds that the new fares were "unjust and unreasonable." The state court sidestepped the issue on the basis of "no jurisdiction" and a subsequent appeal to Federal Judge James P. McGranery resulted in an order for the PTC to issue reparation receipts until the PUC could rule on the complaint.

Hearings before the PUC will be concluded on March 2 and it is universally expected that the new schedules will remain effective.

* * *

Scranton Transit Seeks Increase

SCRANTON — Frank Gilday, President of Scranton Transit Co., has announced that an increase in trolley and bus fares from 10 cents to 12 cents will be sought, effective March 18. If granted, it will be the second increase in 29 years.

* * *

Tank Hulls Ordered

It is reported that Baldwin-Lima-Hamilton Corp., Eddystone, Pa., has received orders for an undisclosed number of tank hulls valued at $60,000,000, since last August. The August order made Baldwin the first major manufacturer in the Philadelphia area to receive such an active assignment in the war mobilization plan.

* * *

New Store for Strawbridge

Dwight G. Perkins, President of Strawbridge & Clothier, Philadelphia, has announced that a new branch store will be built and opened in Wilmington, Dela., early next year. The store will be 42% larger than the company's branch in Ardmore and 70% larger than that in Jenkintown. It will be the largest of all stores in the Wilmington shopping center being built on the Governor Printz Highway. Construction will be of limestone and granite. There will be three selling floors and an auditorium that will be available for community and civic affairs and women's clubs. Parking space for 3,000 cars will be provided. Facilities will include lounge, cafeteria and medical service for approximately 500 employees.

* * *

Attention, Baldies!

United Research Laboratories, 1627 N. 10th Street, Philadelphia, has come up with a new hormone product for growing hair on bald heads, according to Albert Roberts, President. It is reported that some 20,000 new hairs, an inch or more in length, were grown on the heads of two experimental patients in five weeks' time.

Skin-topped Philadelphia brokers, queued up in front of the firm's offices last week, were informed that the product was not yet ready for public distribution and that stock in the company was all held in the family.

* * *

Foote Mineral Splits Stock

PHILADELPHIA — Foote Mineral Co. has declared a 300% stock dividend and a cash dividend of 90 cents per share on the present stock, both payable March 5. This will bring the outstanding shares to 232,000 and make for a broader and more readily stabilized market.

Company has expanded rapidly in the production of rare minerals, ores, metals and compounds used in a wide diversity of industry. Lithium products as a substitute for lead and nickel are regarded as affording prospects for great expansion in the electronics field. Lithium greases are insoluble and operative without deterioration through a wide range of temperatures, thus obviating the need for many special lubricants. Company has leased, with an option to buy, the largest source of lithium ores in the Western Hemisphere at Kings Mountain, N. C.

It is expected that the company will undertake to raise $500,000 to $700,000 of new capital for expansion purposes this spring through the sale of additional common stock via rights to holders.

* * *

Pittsburgh Consolidation Coal

PITTSBURGH—At the annual meeting to be held April 18, stockholders of Pittsburgh Consolidation Coal Co. will be asked to approve increase of company's capitalization from 2,320,000 shares of common stock, par $1, to 3,000,000 shares. Purpose of the increase was not disclosed.

* * *

Philco's "Conservation" Model

Philco Corp. has displayed a "conservation" model TV receiver which it expects to put into production the latter part of April.

The new set is said to eliminate completely the use of cobalt; reduce the use of aluminum by 68%; copper, 26%; nickel, 15%; silicon steel, 58%, and ferrite by 51%.

William Balderston, Philco President, states that the over-all performance of the new model is superior to existing sets. Leslie J. Woods, Vice-President of research and engineering, states that use of substitute materials has not materially reduced the cost of production but that a saving of about 30% in weight is indicated.

* * *

Electric Storage Battery Co.

PHILADELPHIA—A new plastic plate separator for use in the manufacture of storage batteries has been developed by Electric Storage Battery Co. The new product, called Pormax, is a polyvinyl chloride synthetic. It is claimed to be more porous, more acid-resistant and less susceptible to oxidization than the cedar or fir wood plates now generally used.

C. E. Abbett Joins Harris, Upham & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Cecil E. Abbett has joined Harris, Upham & Co., 523 West Sixth Street. He formerly conducted his own investment business in Los Angeles under the name of C. E. Abbett & Co. and prior thereto was an officer of Slayton & Co., Inc.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

ANNUAL MID-WINTER DINNER

At Benjamin Franklin Hotel FEBRUARY 21, 1951

President

A. H. Fenstermacher
M. M. Freeman & Co., Inc.

First Vice-President

J. B. McFarland, III
H. M. Byllesby & Co., Inc.

Second Vice-President

William J. McCullen
Hendricks & Eastwood, Inc.

Treasurer

Bernard H. Tobias
Gerstley, Sunstein & Co.

Secretary

Joseph E. Smith
Newburger & Co.

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Blyth & Co., Inc.

Edgar A. Christian
Janney & Co.

Joseph J. Cummings
Brooke & Co.

Edmund J. Davis
Rambo, Close & Kerner, Inc.

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Merrill Lynch, Pierce, Fenner & Beane

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Bioren & Co. (Ex Officio)

Gordon W. Pfau
Stroud & Company, Incorporated

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Samuel K. Phillips & Co.

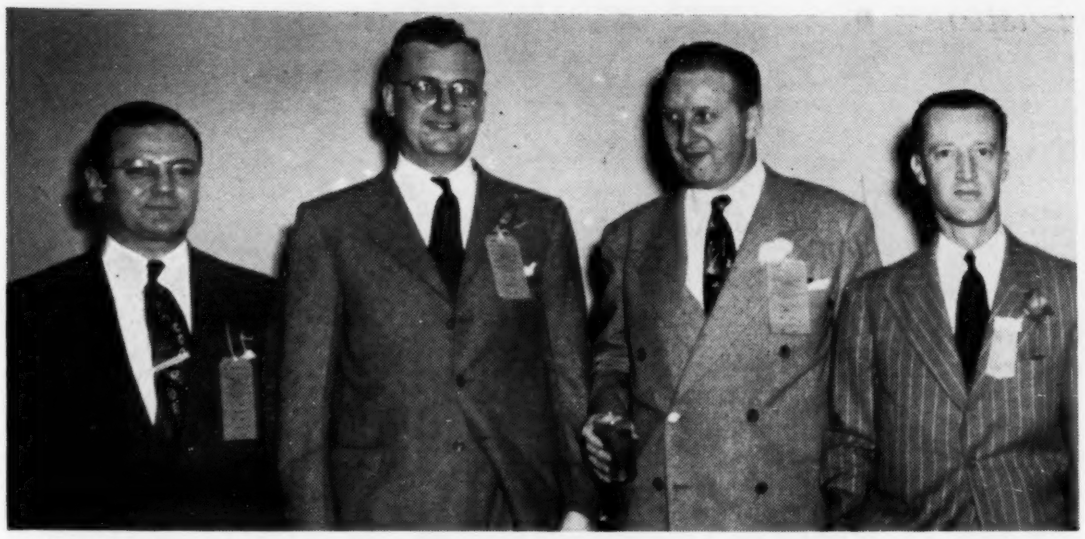
Wallace H. Runyan
Hemphill, Noyes, Graham, Parsons & Co.

William Z. Suplee
Suplee, Yeatman & Company, Inc.

John F. Weller
Herbert H. Blizzard & Co.

Joseph A. Zeller
Bankers Securities Corp.

ITA Holds Annual Mid-Winter Dinner



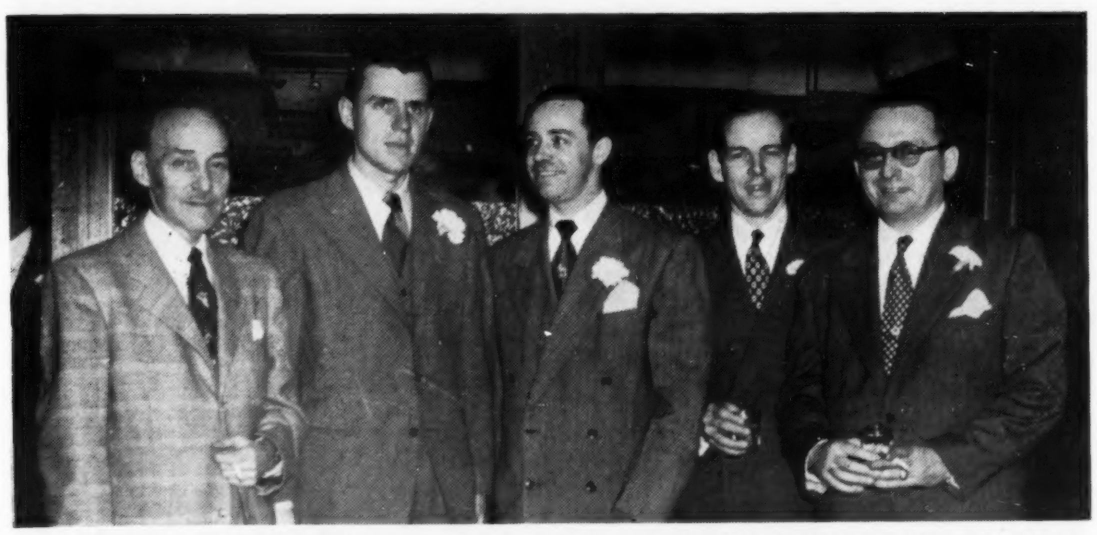
Bill McCullen, *Hendricks & Eastwood, Inc.*; Al Fenstermacher, *M. M. Freeman & Co., Inc.*; Joseph Smith, *Newburger & Co.*; Wallace Runyan, *Hemphill, Noyes, Graham, Parsons & Co.*

C. T. Pattison, *Stroud & Company, Incorporated*; F. M. Roberts, *Hendricks & Eastwood, Inc.*; Hal Murphy, *Commercial & Financial Chronicle*, New York City

Walter Bradley, *B. W. Pizzini & Co., Inc.*, New York City; Vic Mosley, *Stroud & Company, Incorporated*, presenting award for Second Crystal Ball Derby. (B. Winthrop Pizzini, *B. W. Pizzini & Co., Inc.*, New York City, winner of the Derby, was unable to attend)

Russ Ergood, *Stroud & Company, Incorporated*; Edward T. McCormick, *Securities & Exchange Commission* (April 1st, President of *New York Curb Exchange*)

George Harrison, *Laird, Bissell & Meeds*, Philadelphia; Lou Gibbs, *Laird, Bissell & Meeds*, New York City; George Wyckoff, *Laird, Bissell & Meeds*, Philadelphia



J. Gentry Daggy, *H. M. Byllesby and Company, Incorporated*, Philadelphia; Bill Hess, Woodcock, *Hess & Co., Inc.*; Jack Weller, *Herbert H. Blizzard & Co.*; Jim McFarland, *H. M. Byllesby and Company, Incorporated*, Philadelphia; E. Coit Williamson, *Schmidt, Poole & Co.*

Forrest Duble, *Parrish & Co.*; Bob Harned, *Warren W. York & Co., Inc.*, Allentown, Pa.; Geo. E. Snyder, Jr., *Geo. E. Snyder & Co.*, President of the *Philadelphia-Baltimore Stock Exchange*; Tom J. Love, *Geo. E. Snyder & Co.*

Harry Heffelfinger, *Samuel K. Phillips & Co.*; Fred Fischer, *H. N. Nash & Co.*; John Butler, *Geyer & Co., Inc.*, New York City; Phil Street, *De Haven & Townsend, Crouter & Bodine*; John White, *De Haven & Townsend, Crouter & Bodine*

John Sullivan, *F. L. Putnam & Co., Inc.*, Boston; Harry L. Arnold, *du Pont, Homsey & Company*, New York City; James B. Maguire, *J. B. Maguire & Co., Inc.*, Boston; Bill Burke, *May & Gannon, Inc.*, Boston

At the Benjamin Franklin Hotel

Hans Widenmann, *Carl M. Loeb, Rhoades & Co.;* C. Sewall Clark, *E. W. Clark & Co.;* James J. Mickley, *Corn Exchange National Bank & Trust Co.;* John Flynn, *E. W. Clark & Co.*

Jim Sebold, *Neergard, Miller & Co.*, New York City; Pete Molloy, *Neergard, Miller & Co.*, New York City; Frederick Devoll, Jr., *Henry B. Warner & Co., Inc.;* Paul Hicks, *Henry B. Warner & Co., Inc.*

Mike Heaney, *Michael J. Heaney & Co.*, New York City; J. Wilmer Butler, *Baker, Watts & Co.*, Baltimore

Robert M. Holdsworth, *Hornblower & Weeks;* John M. Lamb, *Penington, Colket & Co.;* Joe McNamee, *Hopper, Soliday & Co.;* Ray Allen, *H. A. Riecke & Co.*

James Fitz-Gerald, *W. L. Canady & Co., Inc.*, New York City; C. J. Hartley, *Bankers Trust Company of New York*

Ed. Caughlin, *Edward J. Caughlin & Co.;* R. Conover Miller, *E. W. & R. C. Miller & Co.;* David E. Ahearn, *B. J. Van Ingen & Co., Inc.*, New York City; Walt Carroll, *Dawkins, Waters & Co., Inc.*

Charles Lagenhegen, *Lehman Brothers*, New York City; Wm. J. Mericka, *Wm. J. Mericka & Co., Inc.*, Cleveland; Frank Mulligan, *Joseph McManus & Co.*, New York City; Newt Parkes, *Bioren & Co.*

Brant Henderson, *Asiel & Co.*, New York City; Larry Griffiths, *DeHaven & Townsend, Crouter & Bodine;* Harold N. Nash, *H. N. Nash & Co.;* Donald MacLeod, *Geyer & Co., Inc.*, New York City; Forrest Duble, *Parrish & Co.*

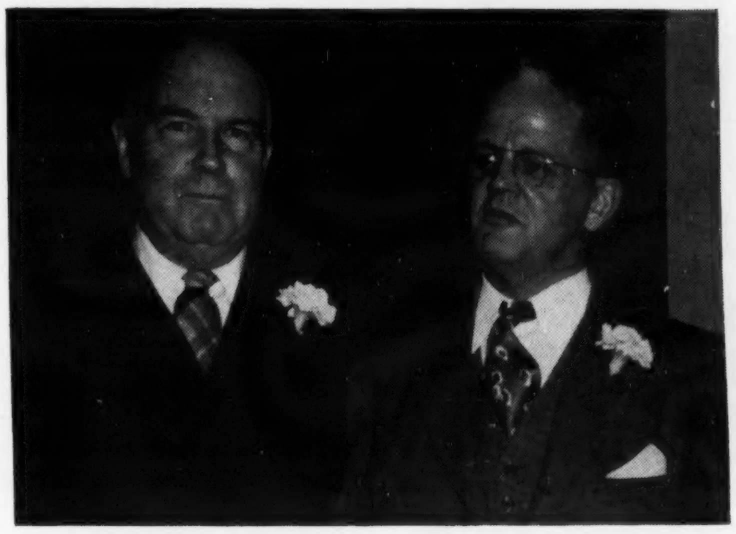
George Thayer, *Merrill Lynch, Pierce, Fenner & Beane;* Frank R. Verian, *Merrill Lynch, Pierce, Fenner & Beane*, New York; Burt Whitcomb, *Harriman Ripley & Co., Incorporated*, Boston; Henry Fanz, *"Philadelphia Inquirer"*

Wednesday, February 21st, 1951

Russ Schuler, *First Boston Corp.;* Walt Fixter, *J. W. Sparks & Co.;* William G. Kurtz, Jr., *Fidelity-Philadelphia Trust Company;* Walter Schumann, *Dolphin & Co.;* Nevin Mann, *Halsey, Stuart & Co., Inc.*

Joseph Blumberg, *Goldman, Sachs & Co.,* New York City; Donald V. McAlpin, *Goldman, Sachs & Co.,* New York City; Joe Corby, *Allen & Company,* New York City; Harry Michels, *Allen & Company,* New York City

Charles A. Taggart, Dave Goldman, and Dave Shulman, all of *Charles A. Taggart & Co., Inc.*



Herbert V. B. Gallager, *Yarnall & Co.;* Leo D. Tyrrell

Willie Schmidt, *Laird, Bissell & Meeds,* New York City; Geo. B. Rebmann, *Laird, Bissell & Meeds,* Philadelphia

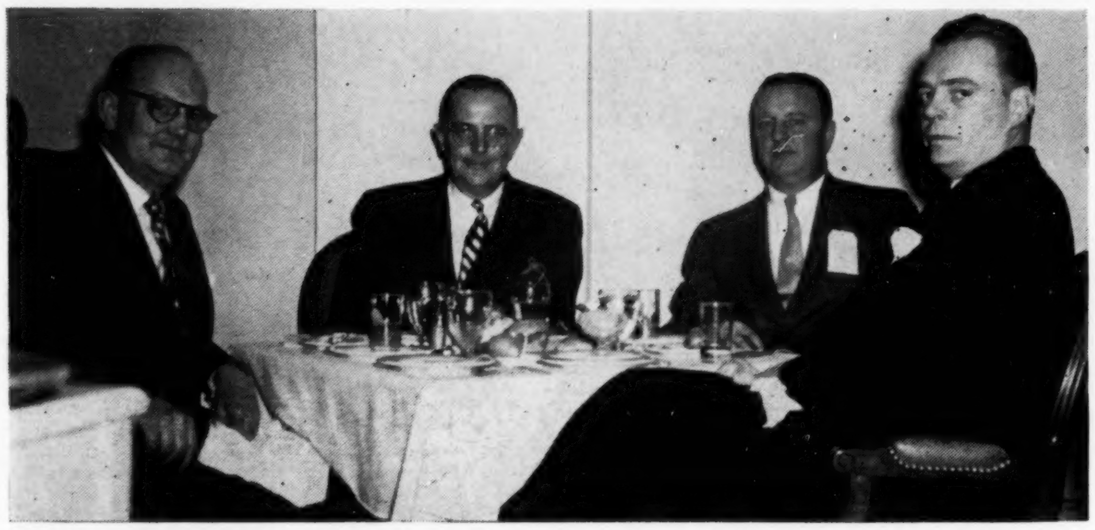
Floyd Justice, *Kidder, Peabody & Co.,* Philadelphia; Lud Strader, *Strader, Taylor & Co., Inc.,* Lynchburg, Va.; Frank Cunningham, *Kidder, Peabody & Co.,* New York

Milton Lewis, *Ira Haupt & Co.,* New York City; Walter Schmidt, *Schmidt, Poole & Co.;* Bill Riley, *Drexel & Co.*

Joe Cummings, *Brooke & Co.;* Don Homsey, *du Pont, Homsey & Company,* Boston; Joe Morley, *E. W. & R. C. Miller & Co.*

Thomas B. Krug, *Bioren & Co.;* Howard Eble, *Wm. J. Mericka & Co., Inc.,* Cleveland; Al Warner, *Swain & Company, Inc.,* Philadelphia

Heavily Attended By Members and Guests

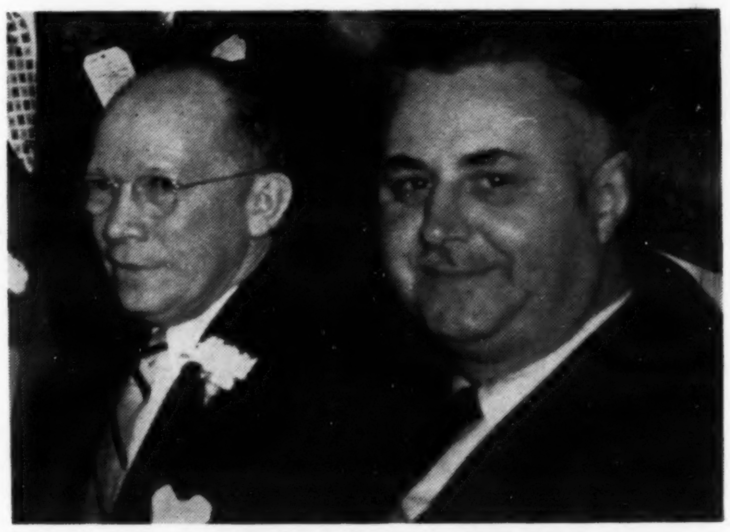


Geo. Kilner, *Brown, Lisle & Marshall*, Providence, R. I.; Horace Wells, *Shelby Cullom Davis & Co.*, New York City; Dick Barnes, *A. M. Kidder & Co.*, New York City; James B. Maguire, *J. B. Maguire & Co., Inc.*, Boston

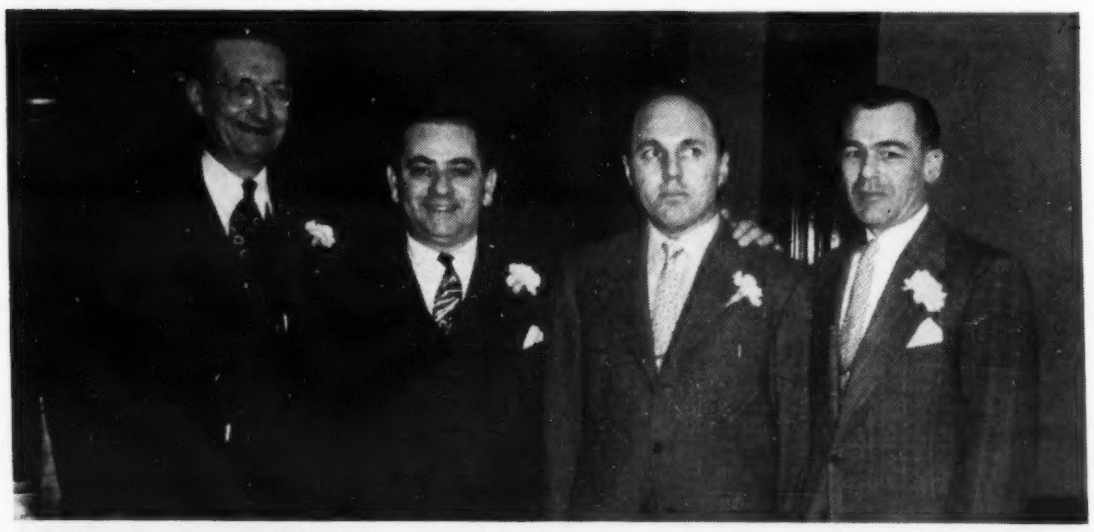
Bob Krulisch, *R. C. Roberts & Co.*, New York City; Dick Roberts, *R. C. Roberts & Co.*, New York City; James I. Brennan, *J. G. White & Company, Inc.*, New York City; Harvey S. Renton, Jr., *J. G. White & Company, Inc.*, New York City

Samuel K. Phillips, Jr., *Samuel K. Phillips & Co.;* Henry Oetjen, *McGinnis & Company*, New York City

John Mayer, *Merrill Lynch, Pierce, Fenner & Beane*, New York City; Neil de Young, *de Young-Tornga Co.*, Grand Rapids, Mich.; F. H. Marvin, *Marvin & Co.*, Philadelphia; William C. Roberts, Jr., *C. T. Williams & Company, Inc.*, Baltimore



Charles L. Wallingford, and Al Willis, both of *H. M. Byllesby and Company, Incorporated*



Fred Underwood, *Boenning & Co.;* George J. Muller, *Janney & Co.;* Les Brown, *Janney & Co.;* Forrest H. Duble, *Parrish & Co.*

J. Leslie Rodgers, *Blair, Rollins & Co., Incorporated;* Ben Lowry, guest; Eddie Christian, *Janney & Co.*

George E. Snyder, Jr., *Geo. E. Snyder & Co.;* Bud Schaufler, *Moncure Biddle & Co.;* Walter J. Connolly, Jr., *Walter J. Connolly & Co., Inc.*, Boston

J. Lewis Armstrong, *J. Lewis Armstrong & Co.;* Miss Vera Swope; Lewis E. Stone, *H. Hentz & Co.*, New York City; Bill Schreiner, *F. J. Morrissey & Co.*

Armco Stockholders Receive Rights; Offering Underwritten

Armco Steel Corp., one of the nation's leading steel producers, is offering to common stockholders of record Feb. 26 a total of 819,737 additional shares of common stock at $41 per share, on the basis of one new share for each five shares held. Subscription warrants will expire March 14, 1951 at 3 p.m. (EST).

The offering, involving gross proceeds of approximately $33,609,000, has been underwritten by a countrywide group headed jointly by Smith, Barney & Co. and W. E. Hutton & Co., which has agreed to purchase from Armco any shares not purchased by warrant holders.

Net proceeds from the issue of the additional shares will be added by Armco to its general funds which will be applied to, among other purposes, financing additions and improvements; to investments in the development of iron ore and coal reserves; and to the provision of additional working capital. On Dec. 31, 1950, additions and improvements costing an estimated $95,800,000 had been authorized, some already under way, including estimated expenditures of $44,500,000 at the corporation's Middletown, Ohio, plant for a 76-oven coke plant, a 1,400-ton blast furnace, and improvement and enlargement of the hot strip mill and processing facilities; and $36,000,000 at the Ashland, Ky. plant for a complete hot strip mill operation, a reversing cold sheet mill, and two continuous zinc coating units.

Upon completion of the financing the corporation will have outstanding $64,290,000 sinking fund debentures; 124,901 shares of 4½% preferred stock, with a par value of $100 a share; and 4,920,115 shares of common stock.

Net sales of Armco in 1950 were $439,296,931 and net income was $47,000,505.

First Boston Group Sells Aluminium Stock

A public offering, representing a secondary distribution, was made on Feb. 27 of 333,000 shares of capital stock (no par value) of Aluminium Ltd. It was quickly oversubscribed and the books closed. The First Boston Corp. managed the underwriting group comprising 162 investment banking firms. Of the 333,000 shares, 208,000 shares were offered in this country at $91 per share, and 125,000 shares were offered in Canada by a group of investment banking firms headed by A. E. Ames & Co. Ltd.

Aluminium Ltd. is solely a holding company which owns or controls 42 operating and service concerns incorporated in 18 countries. The nucleus of this enterprise is the wholly-owned subsidiary, Aluminum Company of Canada, Ltd., which has ingot smelting capacity greater than that of any other aluminum company. During recent years, the subsidiary's proved and probable reserves have been doubled through acquisition of Jamaican bauxite deposits.

Consolidated net sales of Aluminium Ltd. and its subsidiaries for the nine months ended Sept. 30, 1950, totaled $162,221,000 and consolidated net income for the same period amounted to $26,074,000, equal to $7.01 per share on the 3,722,050 outstanding shares of capital stock. For the calendar year 1949, consolidated net sales totaled $199,406,000 and net income $27,006,000, or $7.25 per share of capital stock. Dividends paid on the capital stock in 1950 aggregated $3.45 per share as against $2.60 per share in 1949, and are now paid in U. S. funds.

Russian Gold

By PAUL EINZIG

Commenting on reappearance of Russian stamped gold in market, Dr. Einzig holds there need be no scare that its volume will affect price of metal. Says, though Russia's gold may be advantageous in holding-down gold premiums, it may increase Russia's war potential through acquisition of strategic materials with it.

LONDON, Eng.—Any transactions in gold are bound to appeal to the imagination. Any financial transactions relating to the Soviet Union are shrouded in mystery. It is only natural, therefore, that any transactions in Russian gold should stir up considerable interest well beyond the extent justifiable by the amounts involved. In 1937 the appearance of Russian gold in the world markets was one of the major causes of the "gold scare." The possibility of a vast expansion of gold output in Soviet Russia and the flooding of the markets with newly mined Russian gold was freely envisaged by speculators, hoarders and investors during that period. The scare did not last, but the memory of it has survived the great upheaval that has been experienced in the meantime.


Dr. Paul Einzig

Once more in 1951 there is a great deal of talk about Russian gold. During recent weeks fairly substantial numbers of bars marked with hammer and sickle were noticed in various markets. Quite possibly these bars were produced and exported before the war and came out recently from prewar hoards, not necessarily owned by Russian interests. On the other hand, it seems at least equally possible that they represent newly produced Russian gold, exported for the purpose of paying for the import surplus of the U. S. S. R. or other Communist countries. Before the war Russian gold production was claimed to be second only to South Africa's output. Even though there was no means of checking the figures published, it was a reasonable assumption that the Russian authorities had made a successful effort to exploit the rich deposits in Siberia and elsewhere, the existence of which deposits and their potentialities was no secret from Western gold experts.

During the war Russia neglected her gold production, even more than other belligerent countries did. Manpower and equipment was needed for the production of war material and essential goods, and gold production had a low priority in all countries engaged in the war. Russia had, moreover, an additional reason for not wasting her manpower and machinery on gold production during 1941-1945. Her imports consisted almost entirely of goods delivered by the United States and Great Britain under Lend-Lease. The limit to these deliveries, for which no payment was demanded, was set by the capacity of Allied convoys in the north and that of the means of transport facilities through Persia in the south. Had Russia been able to spend large amounts on other imports the total quantity of goods reaching her could not have been increased. There was therefore no point in producing gold for the purpose of spending it abroad.

After the war Russian gold production was revived, and even though no reliable estimates are available it seems reasonable to suppose that the output is considerable. Gold exports must account for a very large part of the Russian spending on strategic raw materials, for the amount involved in these purchases seems to be well in excess of the figure that could be accounted for on the basis of known Russian goods exports. There must also be by no means inconsiderable expenditure on subversive activities in the West and in the East, representing a substantial invisible import item for Russia. The export of newly produced gold conceivably provides the financial resources used for meeting such requirements. It is not surprising, therefore, that gold bars with Soviet marking have appeared on the markets. Nor is it inconceivable that more gold without such marking has been unloaded.

Inasmuch as Russian gold exports finance the Russian purchases of strategic raw materials they affect the interests of the Western Democracies in two ways. They tend to increase the economic war potential of the Communist Bloc. And they tend to accentuate the scarcity of raw materials and to raise their prices. On the other hand, the sale of Russian gold tends to counteract the rising trend of the free price of gold, which is all to the good. Even though the benefit derived from this does not compensate us for the detrimental effects of the transactions in the directions indicated above, it is well worth mentioning as one of the helpful factors in the gold situation.

While in 1937 the flooding of the markets with Russian gold might have produced disastrous effects by aggravating the trade recession, in 1951 we could afford to view the possibility of such developments with equanimity. Indeed we should welcome it. So far from there being an over-abundance of gold, there is now a relative scarcity in comparison with monetary and hoarding requirements, which have expanded considerably as a result of the higher general price level. If Russia were to sell enough gold in the free markets to bring down the price to parity, she would render a useful service by contributing towards the return to normal conditions. The other side of the picture would of course be less satisfactory, since the proceeds would in all probability be spent on additional purchases of strategic raw materials.

No information is available as to whether Russia possesses a large gold reserve, or whether she has little more than the current output at her disposal. It seems probable that, if and when the Kremlin authorities should decide that the time has arrived for a third World War, they would unload as much gold as they could spare, in order to purchase strategic materials while the going is good. Even then they would have to keep some gold in hand for the purpose of financing subversive activities abroad, in case of a prolonged war. Nevertheless, the possibility of heavy Russian selling of gold on the eve of a war cannot be ruled out. The effect of such operations might well be a temporary fall in the free market price of gold, in spite of the increase of hoarding and speculative demand due to the accentuation of the war scare. Or at any rate it might offset more or less the effect of a panicky demand for gold by hoarders.

In 1914 the anticipation of war resulted in heavy buying of gold by some of the potential belligerents. It is characteristic of the change in conditions that the same cause is now expected to produce precisely the opposite effect, and that the anticipation of another war would now lead to the selling of gold, at least by one of the potential belligerents. However this may be, the behavior of the gold markets seems to provide now, as it did 37 years ago, an interesting barometer indicating impending storms, even if it is not easy to understand the trends it registers.

William Freeman With Stanley Heller & Co.

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, have opened a Mutual Funds Department under the management of William J. Freeman. Mr. Freeman has been active in the securities business for the last 30 years and in recent years has been engaged in the distribution of Mutual Funds. He has recently been with Hautz & Engel, Inc.

General Taylor to Address N.Y. Bd. Club

Major General Maxwell D. Taylor, U. S. Army, will be guest of honor and speaker at the annual dinner of the Bond Club of New York on March 14, Clarence W. Bartow, Drexel & Co., President of the club, announced. General Taylor will speak on his recent experiences in Berlin. The dinner will be held at the Starlight Roof of the Waldorf-Astoria.

Canadian Securities

By WILLIAM J. McKAY

The widest publicity has been given to the Dominion's enormous production of forestry and mineral wealth and their future potentialities, but it is seldom realized how little could be achieved without Canada's incomparable asset of cheap hydro-electric power. Deprived of this motive force the Dominion's large scale industry would grind to a halt and many industrial plants south of the border and elsewhere would be starved of ready supplies of essential raw materials. Canada's lavish endowment of fast-flowing rivers constitute the keystone of her economic structure and are comparable to the rich coal resources which in past decades made Britain a world industrial leader.

There is no comparison however when costs and efficiency are considered between coal and water-power. Initial expenses of hydro-electric plants are high but are nevertheless lower than the development of coal deposits. Subsequent costs of labor and transportation of the bulky fuel far transcend the maintenance of the hydro-electric plants. This explains in part the failure to develop the enormous coal deposits of the Dominion, especially as in Alberta alone there are sufficient reserves to fill both the power and fuel requirements of the country. In view of the Canadian manpower dearth the blessing of almost limitless reserves of water-power is particularly fortunate. The fact that on a per capita basis the Dominion utilizes far more electrical power than any other country in the world accounts for the extraordinary productive capacity of Canada's limited labor force. Canada's natural endowment is further enhanced by the convenient location of power sites in the neighborhood of her mineral deposits and pulp wood stands. In many cases also large-scale exploitation of lower grade mineral deposits is only possible in view of the availability of low cost water-power.

Looking ahead to future developments the importance of the Dominion's almost limitless reserves of water-power is further accentuated. At the present time Canada possesses hydro-electric power plants with an output of approximately 13 million h.p. per annum. Additional installations totalling 2.5 million h.p. are projected and in some cases are in course of construction. As the known reserves are estimated at about 50 million h.p., and as the surface has only just been scratched as far as the Dominion's latent natural resources are concerned, it is difficult to over-estimate the extent of future industrial development.

The many large-scale operations that are now in course of development clearly illustrate the economic advantage enjoyed by Canada through the possession of conveniently situated sources of water-power. The exploitation of the immense iron-ore riches of Quebec/Labrador will be greatly facilitated by the development of the 1.5 million h.p. potential at Grand Falls on the Hamilton River and the estimated 500,000 h.p. at Eaton Canyon on the Kaniapiskau River. Turning to the British Columbian 5-year plan to boost Canadian aluminum production by over 1 billion pounds annually, this project is based on the power resources estimated at about 1.5 million h.p. to be developed on the Nachako-Nanina River. A further demonstration of the value of Canadian water-power is afforded in the case of the Allard Lake ilmenite deposits now in course of joint development by the Kennecott Copper Co., and the New Jersey Zinc Co. To meet the large power demands, Shawinigan has put into operation its new $40 million Trenche hydro-electric development.

Perhaps the greatest advance in Canadian development of water-power will be made with the eventual construction of the St. Lawrence Seaway. This essential development has been hanging fire for 80 years but now appears to be approaching the stage of materialization. In addition to the construction of the Seaway a scheme for the development of hydro-electric power provides for over 3 million h.p. to be shared equally between the provinces of Quebec and Ontario and south of the border by the State of New York. As with the St. Lawrence the same Canadian rivers that furnish electric power also provide convenient and cheap means of transport in addition to providing the ample supplies of fresh water that are essential to most Canadian industries.

During the week there was moderate activity in the external section of the bond market with the principal interest centered on Canadian Nationals. The internals were steady and there was a continued demand for the short-term Dominions. It is a little early to determine the precise effects of the announcement just made by the Foreign Exchange Control Board concerning the elimination of the wartime restrictions on international trading in long-term government securities, but any additional freedom of this kind can only serve to broaden and simplify dealings in Canadian securities. The Canadian dollar again moved into higher ground and now appears to be headed gradually for an ultimate level of parity with the U. S. dollar. Stocks were generally quiet and dull with the Western oil and base-metal issues providing the major activity.

Gen. Am. Oil Co. Stock Offered at $41 Per Sh. by Sanders & Newsom

An underwriting group headed by Sanders & Newsom is offering 90,748 shares of $5 par value common stock of General American Oil Co. of Texas. The stock is priced at $41 per share.

Proceeds from the sale of these shares will be added to working capital and applied to the exploration, acquisition and development of oil and gas properties.

Outstanding capitalization of the company upon completion of this financing will be 85,337 shares of 6% cumulative preferred stock, $10 par value, and 1,000,000 shares of common stock, $5 par value.

General American Oil Co. of Texas is engaged in exploring, acquiring interests in and developing prospective and proven oil and gas lands; the production, gathering and sale of crude oil; and the production and sale of natural gas. Currently the company is producing or has interests in crude oil and/or natural gas in California, Louisiana, Mississippi, New Mexico, Oklahoma, Texas and Wyoming.

Substantially all of the exploratory, development and operating activities of the company are carried on by its own employees, except for seismic operations and well drilling operations. Approximately 83% of the company's production is derived from properties operated by it and the remainder from properties operated by others under joint venture, unitization or other arrangements to which the company is a party.

To Weigh Defense Market Outlook

Congressman Vail, A. Wilfred May, and J. W. Dunlap addressing Stationers' meetings.

"Service Wholesaling in a Defense Economy" is the theme of the 35th Annual Convention of the Wholesale Stationers' Association being held March 1-3 at the Hotel Commodore in New York City.

The convention will be addressed by Hon. Richard B. Vail, member of Congress from Illinois, Thursday on "Marketing Problems in a Defense Economy"; and Friday by A. Wilfred May, Executive Editor of the "Commercial and Financial Chronicle," discussing "What Protection Against Inflation?", and Dr. Jack W. Dunlap, Industrial Consultant on "Psychological Factors in the Market."

Clarence Grant Opens

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Clarance K. Grant is now engaging in a securities business from offices in the Healey Building. He was previously head of Grant & Co.

Alan J. Stark Forms Own Inv. Company

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Alan J. Stark has formed Alan J. Stark & Co. with offices at 431 East Central Avenue, to engage in a securities business.

THEN AND NOW

Guess Who?

If You Can't Turn to Page 35

(A)

(B)

Public Utility Securities

By OWEN ELY

Niagara Mohawk Power Company

Niagara Mohawk Power was formed Jan. 5, 1950, as a merger of the three principal subsidiaries of Niagara Hudson Power—an old-line holding company which was dissolved Dec. 21, 1950. Another subsidiary, Niagara Falls Power Company, was merged Oct. 19. Niagara Mohawk itself now has four subsidiaries—Canadian Niagara Power and St. Lawrence Power, two small Canadian service companies; and Frontier Corp. and Oswego Canal Company which own real estate and water rights.

Niagara Mohawk Power is probably the largest private producer of power in the world, with a total output of 13.9 billion kwh. in 1950. Since much of this power was sold at wholesale to industrial companies, however, the company ranked below several other utilities in revenues, which amounted to $152 million.

The company serves some 918,000 electric customers and about 297,000 gas customers. The system, which is interconnected, serves a large part of upstate New York, including the highly industrialized section around Niagara Falls and Buffalo. Electric kwh. sales gained 12% last year and gas sales (Mcf.) 16%.

During 1950, when about $41 million was invested in new construction, the first two units of 80,000 kw. each of a large new steam generating station at Dunkirk were placed in operation, and an 80,000 kw. addition to the Oswego steam station neared completion. Work was started on the installation of three 80,000 kw. units at a new steam station in Albany, and on a new 30,000 kw. hydro-electric station on the Sacandaga River in eastern New York.

A gas construction program was undertaken in 1950 in anticipation of conversion of the company's manufactured gas service to natural gas. During the year, the company received Federal Power Commission approval for extension of natural gas service to the company's manufactured gas distribution areas in central and eastern New York, and for construction of a 55-mile natural gas line to Watertown.

The company's pro forma earnings record in the postwar period has been as follows (000 omitted):

	1946	1947	1948	1949	1950
Revenue	$117,008	$128,116	$138,169	$139,284	$152,107
Gross income	25,497	24,457	22,079	25,546	25,597
Net income	19,814	18,994	17,101	19,672	19,857
Earned per share of common	$1.96	$1.85	$1.59	$1.94	$1.96
Earned if class A stock were converted	1.77	1.68	1.48	1.75	1.77

Gross income increased only slightly in the postwar period despite a gain of 30% in revenues. This was due in part to lower rates; average residential and farm revenues per kwh. dropped from 3.41c in 1940 and 2.82c in 1946 to 2.50c in 1950. Moreover, the company has probably not been making a very large profit on its gas business. However, conversion to natural gas should result in substantial improvement in earnings from this division of the business. The company has asked for an electric rate increase for electric service at Niagara Falls furnished to 27 large indus-

trial customers which would add some $2,500,000 to gross revenues.

Thus it is anticipated that the company can absorb higher Federal taxes in 1951 and maintain share earnings around the current level. There does not appear to be any danger of incurring excess profits taxes until share earnings exceed $2.25 per share, it is estimated. Fuel economies are expected from the three new generating units, each with an effective capacity of around 100,000 kw., one of which went into operation in October and another in December, while the third should go on the line this summer. By the end of 1953, the company expects to have added (since 1945) about 1,000,000 kw. to its generating capacity.

The company has large plans for hydro developments. A number of miscellaneous new units are planned which may eventually increase capacity by nearly 100,000 kw. There are also huge possibilities at Niagara Falls which are longer-range and subject to political factors. In August, 1950, the United States and Canada ratified a treaty permitting each country to divert water in equal shares for power purposes at Niagara Falls. Niagara Mohawk indicated its desire to undertake a redevelopment at the Falls to utilize the additional water to produce 1,132,000 kw. more electricity. The treaty as ratified requires Congressional action prior to further hydro-electric development, but bills introduced before the 81st Congress authorizing the United States to build the additional development and to turn it over at cost for operation by the Power Authority of New York have not been acted upon. Niagara Mohawk has indicated its continuing desire to make the development or to cooperate in the transmission and distribution of the additional energy if a public development is made.

Continued from page 9

"Where's Our Economy Headed?"

the government is pointing out that we must go if we are to do this Herculean job of becoming strong and still not weakening our own domestic economy; whether it is spending too much money, whether it is running us into bankruptcy, or whether it is upsetting our industrial program so that the transition is made to the great harm of the American people as a whole.

Mr. Keyserling: I think we all recognize, without endeavoring to smooth over anything, that we want to be "efficient" and we want to be "clear-cut" and we want to "do the best we can." However, it is easier to *say* those things than to *do* these things. Let us be specific about this "efficiency" and this "clear-cutness." There is a general agreement among businessmen, among economists, among everybody who has been through this job, that while price controls and wage controls are needed—and I believe they are—and while they must be "efficient" and "clear-cut," nonetheless the first requirement and the first foundation for protecting business and labor and the defense effort from rising prices and inflation is a sound fiscal policy, a balancing of the budget through high enough taxes to make government income equal or exceed revenue.

Let me ask you, Mr. Steinkraus, as a representative businessman, are you in favor now of Congress enacting sufficient additional taxes, allowing for any practical reductions in outlays where this can be done without hurting the defense effort, to give us that first great bulwark of protection against inflation? And, broadly speaking, what kinds of taxes would you like to have enacted now to accomplish that purpose, and how rapidly?

Mr. Steinkraus: I think that is a pretty big question to ask me at the last minute.

Mr. Keyserling: It is smaller than the questions you have been putting to me.

Mr. Steinkraus: I think that the American businessman is entirely in sympathy with "pay-as-you-go." However, he also insists on some economies, which the government does not seem to make at the present time, along certain social programs that ought to be set aside at the present time; and we ought to stick to the No. 1 job, and that is to be strong militarily and economically. That means that we must all pull in our belts. Our government, too, must do some economizing. We must devote our energies and efforts to becoming strong as a nation, and that means we have to pay as we go along. I certainly believe in high taxes, but to try to tell you how those taxes should be laid on is assuming more knowledge than I have. On the other hand, I think that the advice of our leaders in the Senate and in the House who have had many years of experience ought to be followed in preference to the leadership of the Administration itself in some of these cases.

Henry Oetjen Director

Henry Oetjen

Henry Oetjen, a partner of McGinnis & Co., 61 Broadway, New York City, members of the New York Stock Exchange, has been elected a member of the board of directors of the Norfolk Southern Railway Co.

With Scharff & Jones

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Rufus U. Lea, Jr., has become affiliated with Scharff & Jones, Inc., 219 Carondelet Street.

Joins Schweickhardt Co.

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Frank J. Ebel is now associated with Schweickhardt & Co., Hibernia Building, members of the New Orleans Stock Exchange.

Irving Lundborg Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — James C. Liston is now with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges.

Waldron Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Fred A. Coffin is now with Waldron and Co., Russ Building. He was formerly with Capital Securities Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A defensive attitude, with minor price erosions, that leads neither here nor there, seems to be the way most money market operators describe the uncertainty that still surrounds the government security market. The great divide between the monetary authorities is still as wide as ever and is likely to continue that way until someone comes up with the answer as to how Federal can support the government bond market without creating reserve balances. There will be solutions to the dilemma, no doubt, but these answers may not be to the liking of all concerned. In the interim, until we move on into the year, when it will be more urgent to solve these problems, a protected, stable government market is anticipated. Fluctuations should be held well with limited trading ranges and the 2½% rate will still be the long-term measuring stick.

All of the long-term Treasuries aside from the Vics have given ground in a dribbling process which is neither decisive nor confidence building. A shading of the "peg" among the protected issues does not mean too much at this time, because this will not deter sellers who are putting the funds into higher yielding non-Treasury obligations.

Present Rate Pattern to Continue

Despite the feeling of uncertainty which still prevails in the money markets, no important changes are looked for in the rate pattern. It is believed the current scale of rates, ranging from about 1½% for one-year maturities, 1¾% for intermediate-term obligations, to 2½% for the most distant obligations, will be maintained if the Treasury wants it that way. This, according to informed sources, does not mean the Federal Reserve Board, the Open Market Committee or the Central Banks have changed their ideas on the situation, or a meeting of the minds with the Treasury has taken place. Far be it from that, and based on available reports, it is evident the difference of opinion between the monetary authorities is still very much there.

Nonetheless, there is a job to be done and it seems as though a stable government security market is an item of very great importance to the Treasury in carrying out that task. To be sure, the Treasury itself could influence the market here and there as it has been doing according to advices, but it is necessary to have the aid and cooperation of the Federal Reserve Board and the Central Banks in order to do it right. Stability of the kind that will insure confidence in government securities comes from the protective action of the Board and the Reserve Banks. Because there is to be a stable government market in the future, as in the past, Federal will do the job, even though it may not be to their liking.

Lowering of "Pegs" Possible

By the stability that is being talked about in the government market is meant the maintenance of the long-term 2½% rate on Treasury obligations. This protective action does not, however, preclude the lowering of the "pegs" from time to time on certain issues, mainly the Vics. Neither does it indicate the monetary authorities are going to sit back and take all the issues at a fixed price that are fired at them by life insurance companies and savings banks. There will most likely continue to be more reluctance and greater selectivity as well as some restrictions on the amounts that will be taken by the Central Banks. It is not expected that the Federal Reserve Banks are going to make any easier the creation of excess reserves through their almost indiscriminate buying of government securities. Just the same, there seems to be less fear every day that the 2½% rate on long governments is going to give way to a higher one. The support that has been there in the past is not likely to be pulled, although there may be considerable discussion as to what should be done by the monetary authorities to prevent the creation of reserve balances which are in turn used to make loans that fan the flames of inflation.

Suppose Federal Support Was Ended?

There is no doubt the various monetary authorities would like to find an out in this situation, so their differences could be reconciled without damage to the government market. As long as Federal has to support the government security market, it is creating excess reserves and is the "engine of inflation." On the other hand, if Federal should stop supporting the government market and prices were allowed to seek their own level on a pure demand and supply basis, many of these issues might settle well below the 100 level. With so many demand obligations outstanding in the hands of the people, would they continue to hold them with the prices of marketable obligations going under the par level? If there should be a rush to cash in demand Treasury obligations because of dropping prices in the marketable obligations, where would the Treasury get the funds to pay off these redemptions? Also where would the Treasury get the money for refundings and to finance the "garrison economy"? There would have to be borrowings from the commercial banks, which again would create deposits, and this would be as inflationary as anything that could be done by the government.

It does not seem as though the long-term rate is going above 2½% for some time at least, and there will still be protection enough in the government market to make it a stable affair, that will insure confidence in government obligations. The answer to these problems, it is believed, will come later either through higher taxes and a balanced budget or through new legislation that will be obtained from the Congress.

With Paine, Webber Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Neil F. Campbell is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Dean Witter & Co.

Lamson Bros. Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Elmer F. Putnam is now with Lamson Bros. & Co., Dwight Building. He was formerly with Goffe & Carkener and in the past with Wolcott & Lincoln.

Daniel Donovan With J. G. White & Co., Inc.

Daniel J. Donovan

Daniel J. Donovan has joined the U. S. Government bond trading department of J. G. White & Co., Inc., 37 Wall Street, New York City. A graduate of Dartmouth and the Amos Tuck School, he was formerly associated with Blair, Rollins & Co. Inc.

John Preller Elected Dir.

John G. Preller

John G. Preller, partner of McGinnis & Co., 61 Broadway, New York City, has been elected a director of Roper Realization Co. of New York and North Carolina.

Davies & Mejia Add

(Special to The Financial Chronicle)

FRESNO, Calif. — Vernon W. Whipple has been added to the staff of Davies & Mejia, T. W. Patterson Building.

Joins Davis, Skaggs

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert A. Rexroad has been added to the staff of Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

Joins Reynolds & Co.

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Clarence Wolf, Jr., is connected with Reynolds & Co.

F. M. Blount Adds

(Special to The Financial Chronicle)

PENSACOLA, Fla.—Lonnie W. Lard is with F. M. Blount, Inc., Florida National Bank Building.

With McDaniel Lewis

(Special to The Financial Chronicle)

GREENSBORO, N. C.—M. McRae Faison is now associated with McDaniel Lewis & Co., Jefferson Building.

Kirchofer & Arnold Add

(Special to The Financial Chronicle)

RALEIGH, N. C. — James E. Rhoades, Jr., has been added to the staff of Kirchofer & Arnold Associates, Inc., Insurance Building.

With Woodcock Hess

PHILADELPHIA, Pa.—H. Palmer Woodcock, Jr., is now associated with the sales department of Woodcock, Hess & Co., members Philadelphia-Baltimore Stock Exchange, 123 So. Broad Street.

Continued from page 5

The A T & T Convertible 3⅜% Debentures

of the $9 dividend. When necessary, the consistent strong cash and temporary cash investment of each year of the last decade from $250 million to $500 million has provided adequate support.

It has outstanding 28,263,166 shares of common stock now selling around $155 a share. The nine months' statement through September of last year shows current and accrued liabilities of $859,510,748, of which approximately $319 million are accrued taxes; and current assets of $951,909,595, of which over $500 million is cash and temporary cash investment.

Operation and Earnings

The average daily local tolls as stated in the prospectus of the company for nine months through Sept. 30, 1950, is 133,760,000, or 95½% of total tolls of 139,680,000. The total operating income for nine months through Sept. 30, 1950, is $2,408,734,623, deducting 6%, comprising all but local calls (which, of course, should be a much larger amount of revenue) would be approximately $124 million which, deducted from above figure, would indicate that local calls amount roughly to $2,275,000,000 gross revenue.

If we multiply the figure for local average daily calls of 133,760,000 by 274 days or nine months we have 36,650,000,000 local calls; if we divide this into the above gross intake of 227,500,000,000 cents we average at the rate of six cents received for each local call of (astronomically speaking) 36½ billion calls for these nine months!

The increased application of dialing even on long distance lines has reduced costs considerably and will add to the chances of increased earnings of the system. The company has for a long while earned about 6% of its total capitalization. The Federal Communication Commission could, however, reduce long distance tolls, yet the State Commission have increased tolls some $436 million since 1946, and the possibility of the telephone company getting some increase on its present application of $133 million increased rates is not to be left out of the picture.

The company has just reported the largest earnings in its 65-year history, showing consolidated profits of $12.44 a share for the 12 months through November, 1950, based on average shares outstanding during the period. However, the higher taxes in 1951 may cause some moderate decline in their profits, but the special 7% present EPT exemption is likely to make this decline of moderate significance. In fact, in view of its rate of expansion which may not be apparent in the final year's accounting of 1950 the nine months' income statement of 1950 of $260,024,000 has indicated an increase in net income after taxes of $19 million over the year 1949, $30 million over the year 1948 and over $94 million over the year 1947.

It should also be noted that while interest of $82,221,994 on funded debt is $21 million over 1947, it is $5 million under 1948 and $23 million under 1949, as indicated from its last nine months' statement, which amounts should be increased by some $12½ million necessitated by this amount of some $410 millions shortly to be issued.

Again, however, the full year might increase these differences in favor of this year's showing of interest on the funded debt. This is because it is expected that this last issue is close to the end of the long scale financing that has averaged $1¼ billion over the last four years. Also, because the American Telephone & Telegraph Co. is finally filling out its program under its projected construction, improvements and repairs. In fact, this constructive expenditure may drop to $800 million or less for the coming year with debenture conversions, appreciation, retained earnings and possibly some stock sales which would carry the company through this year and probably sometime further in the future.

The Convertible Debenture

The company has at present outstanding convertible debentures of $478,194,600 to which must be added these present debentures about to be issued of about $410,000,000. In addition it has other debentures of $1,440,000 all at a low rate of interest from 2¾% to 3⅜%. It has 1,784,000 of consolidated subsidiaries making a total funded debt of about $4,076,000 including these present convertibles.

The question involved, of course, is the cost of this privilege of conversion which can be ascertained by figuring what the bond would cost on a straight yield basis without the conversion privilege. That, in the final analysis is the test of the value of any bond. In buying a convertible bond that is the first consideration. The second consideration is the value of the stock and its possibility of appreciation.

The Value of the Debenture

Here subjoined is a table from which we will be able to note more carefully the elements of value and price.

A market valuation in price of a high grade bond is usually a sound criterion as investors seeking prime investment must be shrewd judges of basic values.

The best comparison would be between the 3⅜% convertible debentures of 1963, selling at 115 in discussion and the 3⅜% debentures without conversion, due Dec. 1, 1973, set forth in the above table.

The later debenture of 1973 is 10 years longer, which detracts from its value as against the shorter convertible bond of 1963; also, it is selling at 106⅜, but is callable at 104.61; that means the holder loses his premium at maturity or earlier, if called. The other 2¾% debenture, without conversion of 1971 is also a longer maturity with no premium; and a call price at 103.79 that does not impair its present price. In both cases these debentures, without conversion, of course, give yields to maturity larger than the 3⅜% *convertible* debenture of 1963.

It is thus evident that this convertible bond of 1963 in fair comparison has a basic value over par without any conversion, and its exact price could be discussed far beyond the limits of this article.

Sufficiently, however, the consensus of opinion among bond students and experts (among which the author may be fairly included) that this high-grade bond of 1963 with a 3⅜% coupon and a maturity of only 12 years, without conversion, would be entitled to sell at 108, which is a 2.30 basis yield to maturity.

Studying the list of the convertible bonds for comparative values, we should note the 10-year convertible debentures due 1959, which are convertible at 130 to June 20, 1951, and thereafter at 140. That convertibility exists for eight years. The debentures are selling at 124½ over a 24-point premium and returns only a minor yield of 0.15% to maturity. These bonds, 3⅛% debentures of 1963, have a longer rate of convertibility by 50%, have a substantial yield to maturity and sell at 115, against 124½.

The 2¾% of 1957 are convertible for about four and a half years at 140 to Dec. 5, 1955, at a price of 114½ with almost as big a premium as the 3⅜% of 1963 which have three times the length of the conversion, almost four times the yield and two points lower price of conversion.

The third convertible bond of 1961 is convertible at 146 and therefore not eligible for comparative study.

These observations should indicate statistically that these convertible 3⅜% of 1963 are the most attractive of the outstanding convertible debentures of The American Telephone & Telegraph Co., not only on account of the indication of the lowest price that would appear for the stock, but also because it gives a substantial yield to maturity from a high-grade bond which is much larger than any of the others. Furthermore, at this yield you are paying comparatively little for a valuable conversion extending over 12 years; it also sacrifices little in the matter of income, as against the non-convertible debentures. Again, none of these other convertible debentures have as long a conversion privilege, nor at any lower price of convertibility than the aforesaid 3⅜% of 1963.

It is upon this basis that the cost of a conversion must be figured and that means seven points for an 11-year call on the stock at once price. It also must be remembered that the question of interest on the bond and interest on the stock in conversion will be adjusted equitably by the company. This is important because usually the bonds are paid at the market price with additional payment for accrued interest while the stock is bought at the market prices without any extra payment for dividend that has accrued on the stock.

This stock, now selling around 155, has been behind the market since 1946 and 1947, when it sold at 200 and 174½, respectively, and has since sold between 138 and 161¾. On the present appreciation that has taken place in the stocks of excellent companies since the low of 1946 when this stock sold at a low of 159½ it is easy to understand that the possibility of a substantial appreciation in the American Telephone & Telegraph Co. stock would be in line with the rise that has taken place from the low of 163.12 to a present high of 252 in the Dow-Jones average. This situation should offer an excellent opportunity for the astute investor to have a sound convertible bond at a reasonable price that offers him a conversion of an excellent stock at a very reasonable cost and thus indeed have the privilege of "having his cake and eating it too."

Convertible Debentures

1950-1951 High—Low	Price 2-24-51	Rate of Coupon %	Year of Maturity	Convertibility	Callable	Yield %	Equiv., Stock Prices
1___—103⅛	114½	2¾	1957	@ 140 to 12- 5-55	@ 106 thru 12-14-51 then lower	0.55	154½
1___—115¼	124½	3⅛	1959	@ 130 to 6-20-51 then @ 140 to 6-20-59	@ 106 thru 6-19-52 then lower	0.15	154½
11_—104⅜	109	2¾	1961	@ 146 to 12-15-58	@ 105 to 12-14-53 then lower	1.80	155
115—111⅜	115	3⅜	1963	@ 138 from 6- 1-51 to 3-19-62	@ 107 thru 6-18-54 then lower	1.95	153

Debentures Without Conversion

—1950-1951— High	Low	Price Feb. 24, 1951	Rate of Coupon %	Year of Maturity	Callable	Yield %
107¾	105⅝	106⅜	3⅜	1973	@ 104.61 through 1953 then lower	2.95
101½	99	99⅞	2¾	1971	@ 103.79 through 1953 then lower	2.75

Sees Decline in Protective Inventory Buying

Robert C. Swanton, Chairman of Business Survey Committee of the National Association of Purchasing Agents, contends high point was reached in January, while rush to increase production is also sharply off.

Reporting a composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Connecticut, who is its chairman stated that during February the second rush of protective buying since the Korean war began, receded. Order booking has leveled off at the high point of January, but the increase has stopped. Many new orders cover materials for military contracts which have not yet reached the production lines. The rush to increase production is also sharply off for the month, though in most operations high output is still being maintained by liquidation of raw material and in-process inventories. Many purchasing executives expect a troublesome gap to develop between the regulated decline of civilian production and the ordered increase of defense output.

Robert C. Swanton

The priority system Mr. Swanton reports, is not working well. Many suppliers of basic materials are receiving rated orders beyond their required acceptance or reservation percentages. Numerous directives given higher priority are upsetting delivery schedules even of the rated orders, with a compound disruption of civilian production. Essential civilian industries, even major public utilities, have no priority status and are severely hampered for lack of necessary operating supplies.

The conversion to new control procedures, both for materials and for prices, which is being forecast by reports and rumors, will put additional bookkeeping burdens on management in the next few months, much of it on the purchasing department.

Prices continued to creep up in February, but at a slower pace and with a tendency to stabilize on a high plateau. Industrial inventories of purchased materials are sharply down. Employment is high. Some organizations have had to reduce working hours because of lack of materials, and restrictions on their use. Others are working overtime to produce everything possible within the allowable period. With such confusion and uncertainty of operating schedules, purchasing policy must meet the conditions and problems of the company.

Commodity Prices

Many prices advanced during February, though the pace has been much slower than January. The trend appears to be leveling off. Price control, acting as a brake on inflation, is not yet thoroughly effective. There are too many exceptions and special situations. Most price increases this month are in fabricated items. Quantity discounts and freight allowances are being withdrawn. Escalator clauses and open prices based on appeals from the regulation, to be made or in process, are appearing.

Inventories

Industrial material inventories took a decided drop in February. 38%, the highest number since November, 1949, report lower working stocks. Two principal reasons are given: First, the reduction of stocks of materials restricted as to future end use. Second, most scarce materials have been on a hand-to-mouth basis for several months, with very small protective stocks. The railroad strike severely curtailed receipts of materials, in many cases causing a complete depletion of reserve stocks. Disruption of shipping schedules, caused by the increased use of priorities and directives, is a third reason given for present low inventories and their general unbalance.

Employment

Industrial employment continues at about the high of January. The number reporting layoffs are more than compensated for by others showing additions to the pay roll. While it is no major movement, there is a developing migration from the so-called "non-essential" industries to higher paid and more secure jobs in war work plants. This seems to be confined to areas where large military orders have been placed. The major pay roll changes this month are in the hours of work. Many cutbacks on initial operations are reported to be caused by material shortages. Balancing this is the overtime operation of many plants to push the completion of items which will be end-use restricted next month.

Buying Policy

The reports of the Survey on buying policy do not reveal any over-all pattern of commitment range. Until the question of who gets what, when, and how much, is settled, extended commitments are of little value, as schedules are upset daily by priorities, certified procurements and directives.

In New Connection

(Special to The Financial Chronicle)

BROOKLINE, Mass.—Arthur J. Walsh has become affiliated with Alec Bramsley, 56 Marshall Street.

Joins Gibbs & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass. — Vincent T. Curran has become associated with Gibbs & Co., 507 Main St.

Geo. McDowell Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Douglas F. Brosey has been added to the staff of George A. McDowell & Co., Buhl Building, members of the Detroit Stock Exchange.

Joins J. Hogle

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—George E. Thompson has joined the staff of J. A. Hogle & Co., 507 West Sixth Street.

Railroad Securities

Denver & Rio Grande Western

Barring an important change in bond market conditions the management of Denver & Rio Grande Western plans an important refunding operation in about two months. Issues involved will be the present first mortgage and the Denver & Salt Lake Modified Income bonds which are secured by first lien on important system mileage. Both issues now mature in 1993 and both carry fixed interest at the rate of 3% with an additional 1% contingent on earnings. As of the end of 1949 they were outstanding with the public in the aggregate amount of $43,-729,100. In the refunding it is proposed to reduce the principal amount to $40,000,000. The present $27,976,000 of contingent interest 4¾s, 2018 will not be affected.

It is difficult to think of a more striking example than this of changes that have taken place in the railroad industry in the past ten years or so. There are few, if any, railroads that have had so checkered a career as Denver & Rio Grande Western. The present company was created in April, 1947, on consummation of a Section 77 reorganization. Previously the predecessor company, or one or more of its component parts, had been in and out of the courts many times since the first tracks were laid in 1871. It is hardly a record that, on its face, would engender any great investment confidence in the long-term future of the company. In at least two important respects, however, the present company is an entirely different railroad than the one that went into bankruptcy late in 1935.

One of the most important considerations is that the property has been completely rehabilitated physically. Under the old, absentee, management it had deteriorated seriously. Main lines have been virtually rebuilt with heavy rail. A very substantial amount of Centralized Traffic Control has been installed, thus materially increasing the capacity of the property and expediting train movements. Finally, a major portion of freight traffic is now handled by diesel power. Diesel power brings particular benefits to a road operating over steep grades such as those in Denver's territory. With these property improvements and new power and other equipment, the company's profit margin has widened sharply.

The other important development has been the striking change in the company's traffic and the nature of the business handled. The major development along this line has been the establishment of extensive iron and steel making facilities in the Provo-Geneva section of Utah during the war, and their subsequent sale to a subsidiary of U. S. Steel Corporation. Since transfer of these mills to private ownership the facilities have been further expanded and integrated. Denver & Rio Grande Western gets the profitable coal haul from the mines and shares with Union Pacific in the outbound movement of finished products.

Growth of an extensive steel industry has naturally brought other industries into the service area, further bolstering the road's traffic position. Aside from this territorial expansion there has been the betterment, through physical rehabilitation, in its competitive status with respect to the long haul, and highly profitable, transcontinental traffic. Until the properties had been rebuilt the company had never been in a position to reap the full benefits of the Dotsero Cut-off which had been built in 1934 and shortened the distance between Denver and the West Coast by 167 miles. More recently the status of the company has been further improved by the construction of a new yard in Denver, which greatly expedites interchange traffic with Chicago, Rock Island & Pacific.

Benefits from the physical improvements and from the changed traffic status may be considered of a permanent nature. They go far toward explaining the growing investment confidence in the long-term outlook for the road and its securities. Also, reflecting the influence of these changes, earnings have soared. In 1948 common share earnings amounted to $16.22, before sinking the other reserve funds. Reflecting particularly severe winter weather and labor difficulties in the coal and steel industries they dropped to $7.27 in 1949. Last year they nearly doubled, reaching $13.45, and there appears to be little question but that they will be higher than that in 1951. So far dividends have been held to $2.00 a share paid in each of the past three years but liberalization of that policy should not be too long delayed.

Dallas Inv. Firm Announce New Change

DALLAS, Texas—T. H. Obenchain, President, has announced that the name of Dallas Union Trust Co. has been changed to Dallas Union Securities Co. No change is being made in personnel, office locations, or telephones and teletype numbers. The company was organized in Dallas in 1920 and has maintained its main offices here since its inception. Home offices are at 502 Dallas National Bank Building. A branch office has been in operation in Fort Worth for the past 18 years. The Fort Worth offices of Dallas Union Securities Co. are at 1002 Continental Life Building. Harry W. Phillips is Resident Manager.

Officers of the company, in addition to Mr. Obenchain, are the following: B. F. Houston and Dick Clark, Jr., Vice-Presidents; Jack P. Brown, Secretary and Treasurer; and P. L. Hendrix, Assistant Treasurer. W. H. Painter, Vice-President of the United Fidelity Life Insurance Co., and Homer R. Mitchell, Chairman of the Board of Employers Casualty Co., are directors of the company, along with Mr. Obenchain, Mr. Houston, and Mr. Brown.

Dallas Union Securities Co. will continue to specialize as heretofore in investment securities, including bank stocks, insurance company stocks, public utility preferred and common stocks, corporation bonds, and municipal bonds.

Did You GUESS?

Here's the 1951 version of the two angels appearing on page 32.

M. J. Gartman Burton F. Whitcomb

(A) Mortimer J. Gartman, Josephthal & Co., 120 Broadway, New York 5, N. Y.

(B) Burton F. Whitcomb, Harriman Ripley & Co., Incorporated, 30 Federal Street, Boston 10, Mass.

Continued from page 20

Mutual Funds

got an unexpected check for $2,-400." is the way Wellington Fund starts its newest sales booklet, entitled "Today I Can See Tomorrow." This illustrated story graphically and accurately describes the problems faced today by a man who could foresee the corrosive effects inflation would have on his newly-acquired nest egg. The booklet should be an excellent sales aid for dealers because its approach is on the prospect's level of understanding. Write Wellington Fund, 1420 Walnut Street, Philadelphia 2, Pa. for copies.

WITH THE RANKS of "capitalists" growing through increased public ownership of mutual fund securities, the average investor should safeguard his securities and other important papers by keeping them in a bank safety deposit vault.

That's the recommendation given to shareholders in the "Stock Fund Investor," quarterly publication for the Investors Stock Fund shareholders across the nation.

The publication stresses that the cost of a bond required for lost investment securities or certificates can be many times higher than the year's rental of a bank safe deposit box to prevent such losses.

VANCE, SANDERS & CO. announces the admission of John A. McCandless as general partner. He has been handling the portfolio transactions of Massachusetts Investors Trust. Mr. McCandless joined Vance, Sanders last year.

James Jessop With Titus-Miller in Lansing

LANSING, Mich.—Titus-Miller & Co., members of the Detroit and Midwest Stock Exchanges, announce that James K. Jessop is now associated with them as a registered representative in the Lansing office, 315 Hollister Building. Mr. Jessop was formerly with Moreland & Co. and Donovan-Gilbert & Co. in Lansing.

Four With C. H. Wagner

(Special to The Financial Chronicle)

NEW ORLEANS, La.—William B. Canal, Sr., Charles E. Deichmann, Gordon E. Nordgren and Joseph H. Westbrook have become affiliated with C. H. Wagner Investment Co., 126 Carondelet St.

Securities Salesman's Corner

By JOHN DUTTON

Advertising in the Retail Securities Business

(ARTICLE No. 4)

Assuming that we have started our campaign with an offer of something valuable and we have begun to accumulate leads—what is the next step? Shall we start right in calling, telephoning and working these prospects? Shall we keep on with our advertising after we have started the ball rolling? What is the best way to turn the inquiries we are receiving from our advertising into customers?

Out of every hundred inquiries you receive, there are just so many sales, so many new accounts, so many profitable contacts. A top-notch salesman will naturally obtain greater results from a hundred inquiries than a man who doesn't know how to sell but, assuming your men know their business, there are only a limited number of sales in every 100 leads. So, in my opinion, the main driving impetus that will put your campaign over the top depends not only upon the effectiveness of the advertising, but also upon the way you have sold your own sales organization. If your men believe in what you are doing, if they are in it wholeheartedly, if they are going to take the names and **make the calls**, willingly and intelligently, you are going to get somewhere. If they know in advance that there are going to be some that are curiosity seekers; people without funds; those who just like to answer cards and newspaper advertisements; and that some of their calls will be in vain, but that they will also find a certain number of sales in every 100 leads which you assign to them, you'll get results.

Assign your leads evenly, keep new names coming in behind your men, and insist upon it that the calls are made, and reports are turned in. Either the name is sold, marked good, or fair, or taken off the list. Give your men protection on the names and keep behind them. Then circularize every name on your mailing list that is marked good, or fair, at least once a month. Send out a monthly letter, or market comment, or a philosophy of sound investment, or offers of service, but keep sending it out, regularly and consistently. Hit your targets over and over again. Hit them with direct mail, with newspaper advertising, and keep your men out making the calls. If a name isn't sold in a certain period, find out why? Don't let this thing grow cold—your sales force must keep calling while you are working the mails.

Now as to institutional advertising. You can intersperse advertising that will tell your story, between your "free offer" ads. You can put character into your advertising that will identify you as the outstanding investment firm in your community. You can educate without talking down to anyone. You can inject humor without being trite. You can make people think of you when they think of securities **but you are going to have to be different than the other fellow.** You are going to have to say things to people that will cause them to read your ads and **enjoy them.** Some years ago I remember a campaign of institutional advertising that was done by a dealer in a city in up-state New York along these lines. It didn't pay at first, but after a few months the leads began to come in and people all over the town were talking about it.

Next week I am going to tell you about some advertising that in my opinion fills all the requirements of the most effective type of institutional copy.

With John Nuveen

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Norman M. Dahl has been added to the staff of John Nuveen & Co., Van Nuys Building.

Two With Dean Witter

(Special to The Financial Chronicle)

LOS ANGELES, Calif. —A. Crosby Doe and Otis M. Healy have become affiliated with Dean Witter & Co., 623 South Spring Street.

With J. Earle May

(Special to The Financial Chronicle)

PALO ALTO, Calif.—David Cooper has been added to the staff of J. Earle May & Co., 601 Bryant Street.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Glen E. Gilpin has become associated with Dempsey-Tegeler & Co. Mr. Gilpin was formerly with Revel Miller & Co. and Walston, Hoffman & Goodwin.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Because of the position of the Hartford Fire Insurance Co. within the industry, the annual report of this company is reviewed with more than the usual interest by investors following the insurance shares. For this reason we show below certain figures and make pertinent comments on operations as presented in the annual report of the Hartford Fire Insurance Company for 1950.

The parent company showed underwriting premiums for the year of $126,830,810, an increase of $4,712,134 or 3.86% over the $122,118,676 reported in 1949. While premiums earned showed almost a corresponding gain, losses and loss expenses were substantially higher. The windstorm of November, 1950 was particularly severe and losses experienced from this storm as well as several other large losses, were the primary reason for the increase in the loss total.

Underwriting expenses showed a small gain and the net result was a decline in the statutory underwriting profit from the $17,733,008 reported in 1949 to $7,314,580 for last year.

The experience of Hartford Accident and Indemnity, Hartford Fire's principal subsidiary, was generally the same as that of the parent company. Premium writings increased, losses and expenses were higher and the gain from underwriting declined. Considering the fact, however, that a number of casualty companies experienced a statutory underwriting loss last year, this showing is relatively favorable.

Presented below is a summary of the operating statements of Hartford Fire and Hartford Accident and Indemnity Company for the past two years.

	000's Omitted			
	Hartford Fire Insurance		Hartford Accid. & Ind.	
	1950	1949	1950	1949
Underwriting—				
Premiums written	$126,831	$122,119	$120,642	$115,019
Increase in unearned res.	10,281	9,032	4,799	6,297
Premiums earned	$116,550	$113,086	$115,844	$108,721
Losses and loss expenses	59,339	47,712	69,522	61,336
Underwriting expenses	46,113	44,027	40,268	38,070
Taxes, licenses and fees	3,783	3,614	3,830	3,549
Total losses and exps.	$109,235	$95,353	$113,620	$102,955
Statutory gain before Federal taxes	$7,315	$17,733	$2,224	$5,766
Investment—				
Net investment income	7,282	6,457	4,223	3,601
Other income	8	—56	—23	4
Total income bef. taxes	$14,605	$24,134	$6,423	$9,370
Federal income tax	4,378	7,651	2,001	3,562
Net operating income	$10,227	$16,484	$4,423	$5,808

The investment results of both companies were encouraging with over a 12% gain reported in each instance. Federal income taxes were lower, reflecting primarily the less favorable underwriting experience. The final result was that operating income for the parent company was down by approximately 37% and for the casualty company 24%.

One of the interesting features of the Hartford Fire annual report is the information presented relative to new investments. For the Hartford Fire Group $88,223,869 was invested last year. Investments totaling $68,554,259 were called, matured or sold. Thus there was a net investment of new funds of $19,669,610 for 1950. In 1949 the net investment was $38,539,230.

The breakdown of the net purchases into the major classifications for the two periods was as follows:

	1950	1949
U. S. Government securities	$5,152,981	$21,038,094
Municipals, Canadians and other bonds	1,579,063	1,446,570
Total bonds	$6,732,044	$22,484,664
Preferred and guaranteed stocks	$7,399,368	$10,750,785
Common stocks	5,538,198	5,303,781
Total stocks	$12,937,566	$16,054,566
Total net investments	$19,669,610	$38,539,230

As can be seen from the above figures a greater proportion of the available funds were invested in common stocks last year. Municipals, Canadian and other bonds also showed an increase.

Prominent among some of the new investments were sizable blocks of Deere & Co. preferred, Monsanto Chemical preferred, United States Steel preferred and West Virginia Pulp & Paper preferred. Important common stock additions included Gulf Oil, Merck & Company, International Paper, and Weyerhaeuser Timber Company.

Continued from first page

What Investment Policy Now?

inflation; but scare selling nevertheless drove the Dow-Jones industrials down into the lower 90s, more than 60% below their present levels.

War Risk a Good Calculated Risk

The threat of war and "incidents" is a calculated risk that the holder of common stocks is justified in assuming at this time; but it does suggest carrying at least a moderate reserve of cash and government bonds in the common stock portfolio against this contingency, provided the investor will have the courage to employ this reserve in the course of war-scare breaks.

A second debit item in our balance sheet is the probability of a business recession over the nearer term attendant upon conversion of our resources from a peace to a war economy. There is some apprehension over the dislocations incident to successfully meshing cutbacks in civilian production with still very laggard armament orders. There is a fairly widespread belief that business since Korea has been borrowing from the future, in the sense that consumers and distributors have been anticipating their needs and accumulating inventories. This is reflected dramatically in the steep rise in business inventories and loans over the past six months. The present levels of inventories in 1948 preceded the slump of 1949; but prospective critical shortages would appear to rule out a repetition of this experience. Another factor contributing to the expectation of a business recession is the imposition of regulations W and X relating to the financing of automobiles and residential construction. Running concurrently with this decline in demand, and of greater probable significance, is the propective slump in production resulting from materials shortage or allocations, particularly as related to metals, which may result in a decline in residential building and automobile output as much as 50% below 1950 in the second half of this year. The ultimate bottleneck to expanded production is the shortage of labor; but the immediate bottleneck and the chief depressing influence in this transitional period is the shortage of metals, the non-essential uses of which have already been cutback severely.

However, this shortage of metals is relative to the high 1950 demand; and supplies of most strategic metals available for civilian use for some time to come promise to equal the average consumption of a fairly good business year of the past. The full utilization of these relatively large supplies of metals should permit the mesh between declining civilian and rising arms production to take place without drastic dislocations of employment and production.

No Inventory Liquidation

While the shift of resources and labor will not be accomplished without some temporary decline in overall economic activity, this decline should be of moderate dimensions. We have already in the past made transitions from peace to war and back, without serious dislocations, giving proof of the resiliency of our economy. Moreover, in view of the long run outlook, there is no reason for expecting a period of inventory liquidation.

The heavy consumers durable goods industries will suffer sharp materials cutbacks but they can operate at a satisfactory rate for some time on present inventories and available materials, and they will later be the recipients of a large volume of defense business. The automobile industry in the last war was the principal producer of armaments; and the construction industry will be buttressed by a large volume of maintenance and defense business. A three billion dollar defense housing program has already been announced. Hence, the overall decline in building activity will probably not exceed 20% as compared with the boom year 1950. I believe the market has been excessively pessimistic in its appraisal of the building stocks.

A further sustaining factor of major importance in this conversion period is the prospective record-breaking expenditure for plant and equipment in the first half of 1951.

In short, the coming business recession should be of so limited dimensions and duration as to be without significance so far as common stock investment policy is concerned, especially if viewed in the light of the longer term outlook.

The Credit Side

This brings us to the first important item on the credit side of our balance sheet, as a contra to the foregoing, namely, the prospect of a high level of industrial production for the duration of the defense effort. Our urgent defense needs virtually insure a full utilization of our material and manpower resources for several years to come and provide insurance against depression. It is probable, for instance, that the Federal Reserve Board index of industrial production which stood at 215 at the end of 1950 and which conceivably could slump to 200 over the nearer term, should reach a level of 225 by the end of this year. Despite the imposition of controls, a further rise in wholesale commodity prices of 5 to 6% may be envisioned. This level of physical production and prices should produce a gross national product of about $320 billion as compared with about $290 billion at the end of 1950, accompanied by a substantial increase in disposable personal income and savings, even after the application of higher taxes.

The prospective shortages of consumers durables and the increase in disposable personal income suggest boom conditions for the manufacturers and retailers of soft goods and should place the stocks of these groups high on the list of favored investments.

Confirmation of the prospect of a sustained high rate of industrial production for a considerable period ahead is to be found in our index of incoming orders, which within the past six months reached a level exceeding the peak of World War II. Incoming orders and unfilled order backlogs are currently at very high levels.

The virtual assurance of the absence of a depression for several years ahead and the consequent probable maintenance of relatively high and stable earnings, despite the impact of higher taxes and the possible contraction of profit margins incident to price controls and defense contract renegotiation, are factors of major significance in the appraisal of common stock values. For a number of years past, common stock prices have represented an abnormally low rate of capitalization of earnings, because we have looked upon those earnings with a jaundiced eye, regarding them as a manifestation of temporary boom conditions. We have had our sights fixed steadily on the "coming recession." Now, if we are to conclude that the recession will not come for some time ahead and if excess profits taxes serve to put a floor under as well as a ceiling over earnings, we may feel justified in paying a higher multiple of earnings and dividends than we have for some time past.

The Post-Armament Cushion of Consumer Demand

To be sure, this rearmament boom will not last forever. Indeed, it will not last nearly as long as some people now suppose. We should be able to fill our arsenal within a period of two years; and thereafter major defense expenditures should be for the maintenance of the military establishment and the development of new and improved weapons. This would mean a sharp cutback in the mass production industries. However, by then, these industries should have the support of a cushion of deferred demand for consumers durables. We are assured of a high volume of production for a considerable period ahead. The major question perplexing the common stock investor is how heavily taxes and controls will bite into profits.

Our scrutiny of the balance sheet of investment policy reveals a third debit item, namely, the absolute level of common stock prices. Historically, the market is very high. It has never been higher, except for one brief period from 1928 to 1930; and, since the 1929 debacle, we have regarded the price level of that lamented new era as fantastic. The Dow-Jones industrial average is now within about 20% of its average level in 1929. From the 1929 high to the 1932 low the market declined more than 80%. This is a sobering reflection which should serve to dampen speculative expectancies.

The Dollar Factor

The contra item on the credit side of our trial balance is the relative level of common stock prices in terms of the purchasing power of the dollar, as contrasted with the admittedly high absolute level. We have been in a long-term inflationary trend since 1933 and a further significant decline in the value of the dollar appears to lie ahead as the product of our all-out defense effort, despite the various anti-inflationary measures which may accompany it. The supply of money has about trebled since 1939, far exceeding the increase in the production of goods. Consequently a significant rise has taken place in commodity prices. The USBLS index of wholesale commodity prices rose 133% from August, 1939, to December, 1950; and the more volatile index of sensitive raw materials prices rose 285%. As evidence of the sharp acceleration of inflationary trends following Korea, it may be noted that this sensitive index rose 45% in the brief period between June, 1950 and January, 1951. The sluggish, somewhat unrealistic index of the cost of living rose 77% between August, 1939 and December, 1950.

In terms of the cost of living index the dollar may be said to be worth about 56 cents currently as related to its 1939 purchasing power. As a practical matter it is worth less. Expressed in terms of 1939 dollars derived from the cost of living index, the Dow-Jones Industrials are currently selling at the equivalent of about 140. The average or so-called "normal" level of this index in the prewar period 1935-1939 was about 150.

I am not suggesting that there is an exact mathematical relationship of stock prices to commodity prices. Stock prices in the long run represent a capitalization of earnings at a rate determined by the prevailing level of interest rates. But I am emphasizing that even at current historically high absolute levels common stocks are one of the few elements in our economy which

do not reflect fully the decline in the value of the dollar.

Creeping Inflation Inevitable

Under the conditions of a war economy, namely an expanding money supply and a contracting supply of goods available for civilian consumption, a further rise in commodity prices, that is a further decline in the value of the dollar, appears inevitable. It is simply a question of degree. There are those who envision an uncontrollable currency inflation of the Continental European type setting in eventually. Short of a long, exhausting all-out war, I regard these fears as unfounded. I base this belief on the rugged health of our economy stemming from a prodigious and growing productive capacity. I believe, however, that we face a period of creeping inflation and steady decline in the purchasing power of the dollar at a rate of 3 to 5% a year, despite such anti-inflationary restraints as we may impose. Measures so drastic as to halt inflation in its tracks are not feasible either poltically or economically.

While wage and price controls that function may be necessary as serving the purpose of temporarily restraining price rises until more effective measures can be applied, it cannot be too strongly emphasized that these devices are ineffectual since they deal with the symptoms and not the causes of inflation. Indeed, in the long run, they will aggravate the condition they seek to remedy.

The effective measures to restrain inflation are these:

(1) A drastic cut in all government non-defense expenditures. The politicians should share the sacrifices they are calling on us to make.

(2) Exercise of care and prudence in defense spending.

(3) Higher taxes. In this connection the nature and incidence of taxation are important. Corporate taxes are anti-inflationary only in the sense that they provide revenues to reduce budget deficits. Otherwise they are inflationary, as they can ordinarily be passed on. Excess profits taxes cannot be passed on and are anti-inflationary if not too high. Otherwise they lead to corporate extravagance and defeat their own purpose. Personal income taxes are effective to the degree that they reduce personal expenditures; but they are essentially a tax on savings. Excise taxes, as a levy on spending, are a more effective instrument of inflation control.

(4) Hence the fourth basic element of inflation control is even more important than taxation, namely strong inducements to save. This involves among other things the modification, if not abandonment, of cheap money policies and the establishment of higher interest rates. Other major anti-inflationary measures are qualitative credit controls that do not limit essential increases in productive capacity and avoidance, so far as possible, of monetizing the budget deficit through sale of government bonds to the commercial banks.

Inflation Frozen Into Our Economy

How far we shall proceed with effective inflation controls is conjectural; but the investor must accept as a major premise of his investment policy the fact that a large element of inflation is already frozen into our economy and the probability that inflationary trends will continue under the conditions of a war economy. I have put inflation on the credit side of our ledger in the audit of common stock investment policy. This is not to suggest that I regard inflation as good. I do not, of course. It is an unmitigated evil for almost everyone. But it is to suggest that in our present social framework common stocks provide almost the only means available to the average investor to protect himself at least in part against the ravages of this evil.

Prospective Lower Earnings

The fourth and final item on the debit side of our trial balance is the prospect of lower corporate earnings in 1951, resulting from controls and higher taxes. A quick freeze on prices has already been announced. This in itself is not apt to affect general corporate earnings materially; but it is obviously a temporary stop-gap. The extent to which the subsequent refinement of price controls affects profit margins in general and those of individual industries in particular will have to be scrutinized diligently by the investment analyst. Among the controls imposed or to be imposed, those which will have an immediate effect on volume and earnings relate to allocation of scarce and strategic materials. The cutback of these for civilian use will strike with uneven impact on various industries. Some, which employ these materials and which are unable to find substitutes or to convert to armaments production, will suffer severe curtailment of sales and earnings. It is in this connection among others that informed and careful selection of common stocks will pay a premium.

The impact of taxation is of course general, as it relates to the straight corporate tax; but it is uneven in the incidence of excess profits taxes. In respect to the latter, the railroads, utilities and airlines occupy relatively sheltered positions.

We have made a careful projection of corporate earnings in 1951 under present tax provisions including a 47% corporate rate, a 77% excess profits tax and a maximum overall rate of 62%. It is our conclusion that under present conditions overall corporate earnings before taxes should exceed those of last year; but that current corporate tax rates should reduce net earnings after taxes by approximately 16%. Another increase in corporate taxes this year will of course reduce these earnings further, to say nothing of the effects of subsequent price controls and materials allocation. As we know, President Truman has already recommended an increase in the corporate tax rate from 47% to 55% but has made no reference so far as I know to an increase in the 62% ceiling. Under this formula those industries which are already subject to the maximum rate of 62%, such as steel, will be unaffected. Those which are relatively sheltered from excess profits taxes but which are not in a position to pass tax increases on except with a considerable lag, if at all, such as the utilities, may experience an earnings decline. The extent to which Congress will follow these presidential recommendations is now in the realm of conjecture.

The Existing Low Price-Earnings Ratios

Price earnings rations are now and have been for some time past abnormally low. Net earnings per share of the Dow-Jones Industrials are estimated at over $29 in 1950 and dividends at about $15. At its 1950 year-end level the industrial average was selling at only about 8 times earnings of that year and was providing a yield of almost 6½% based on 1950 dividends. Even at its current level this average is only 8.8 times 1950 earnings and yields almost 6% on 1950 dividends. Current price earnings ratios are still substantially below normal experience in the past.

We should be warned, however, that in the analysis of the stock market nothing is apt to be more misleading than price-earnings ratios. The average price level of the Dow-Jones Industrials in 1929 was equal to about 15 times net earnings of that year—about a normal ration. This did not prevent stock prices from plummeting 80% in the next three years. The price-earnings ratio was normal, but the important element of the equation was not; namely, the earnings, since these were the product of a boom that terminated with a crash.

The offsetting credit item in our trial balance is to be found in the nature and durability of current corporate earnings. In the first place these earnings, as related to the value of the dollar in which they are expressed, or, more important, as related to the invested capital from which they derive, cannot be said to be abnormally high. Moreover, as we have seen, under the economic conditions which appear to lie ahead over the next several years, corporate earnings, though lower than those of 1950, should nevertheless be maintained at satisfactory rates as related to the current levels of common stock prices.

If, in line with our forecast of corporate earnings for this year, the earnings of the Dow-Jones Industrials should decline from almost $30 per share in 1950 to about $25 per share, the price-earnings ratio based on current prices would still be only about ten times or well below the normal relationship of the past. Moreover it is important to appraise common stock prices in relation to yields afforded by current dividends as compared with the long-term interest rate as measured by the yields of high grade bonds.

We maintain a so-called index of confidence which expresses the ratio of the yield of Moody's 200 common stocks to the yield of Moody's AAA corporate bonds. At the end of 1950 this index stood at 2.46, i.e., the yield afforded by representative common stocks was almost 2½ times the yield of high grade bonds. There have been only two brief periods in the history of the market when this ratio has been higher, namely in 1940 following Dunkirk and 1942 after Pearl Harbor. In 1929 common stock yields were only 62% of high grade bond yields and the average relationship of the past 20 years has been about 1½ to 1. If dividends should decline this year in line with our earnings forecast, the yield of common stocks at present prices would still be high at about twice the yield of high grade bonds. Assuming present levels of stock prices and long-term interest rates, dividends would have to decline 40% from the 1950 rate to reduce common stock yields to a normal relationship to high grade bond yields. On this basis the market may be said to be making ample allowance for the decline in corporate earnings and dividends that may occur in the course of the high rate of industrial production and under the impact of the taxation and controls of a war economy.

Summary

The market is historically high and the prospect is for lower corporate earnings. I am not prepared to make any market predictions, and I have no extravagant expectations as to the profits in common stock investment at this time, though a more violent inflation than I now contemplate could cause prices to soar. On the other hand we cannot rule out the adverse market impact of recurring war scares. These are the risks. As against this the present circumstances of a war economy virtually insure against the onset of depression for an indefinite period ahead and guarantee a sustained high level of industrial activity from which corporations should derive a level of earnings and pay a rate of dividends which may be considered satisfactory in relation to current common stock prices and long-term interest rates. Beyond this, common stocks provide a tested hedge against further inflation, a protection for which the investor is paying no undue premium on the basis of current yields.

Each individual, depending on his judgment and temperament, will derive from this audit his own conclusion as to investment policy. Mine is, that under these circumstances, the prudent and conservative investor should be holding at least 50% of his investable funds in good common stocks at this time.

These common stocks must be selected with great care to make certain that they are closely geared to the conditions of a war economy which lie ahead. During the past six months, in the Administration of the portfolios of our investment companies, we have placed major emphasis on oils, rails, steels, non-ferrous metals and merchandising groups; and we have given careful consideration to the stocks of other manufacturers, particularly those producing materials handling and other labor saving equipment, as we are convinced that the major bottleneck of production in the period ahead is the scarcity of labor.

No man's judgment is infallible. The surest protection against our own errors of selection is broad diversification of common stock holdings which will serve to minimize the effects of these errors. And, finally, in these dynamic times our carefully selected, broadly diversified portfolio of common stocks must have constant, informed, vigilant supervision to adapt it to changing circumstances. Following Korea, for instance, which changed the whole economic prospect, we undertook promptly an extensive revision of our portfolios.

This is the trinity — selection, diversification, supervision. These are the cardinal prerequisites of satisfactory common stock investment experience.

Chemical Fund, Elects Francis S. Williams

Chemical Fund, Inc. announces that Francis S. Williams has been elected Executive Vice-President of the Fund. He has been associated with the Fund since its inception in 1938 and became a Vice-President in 1942.

Francis S. Williams

Born in Boston, Mr. Williams graduated from Harvard University in 1923 and from the Harvard Business School in 1925. He gained experience early in his business career in the textile, metal and merchandising fields and later became associated with The Old Colony Trust Co. in Boston.

In 1932 Mr. Williams joined the staff of F. Eberstadt & Co. Inc., sponsors of Chemical Fund.

Cantor, Fitzgerald Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Leonard E. Fielder and Earl D. Van Keuren have been added to the staff of Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive. Mr. Van Keuren was formerly with King Merritt & Co., Inc.

Continued from first page

As We See It

her satellites, could scarcely be said to be enthusiastic about what we have been saying and doing. It may be an exaggeration to assert that through our very aggressiveness we may presently find ourselves in a position of being obliged to defend the very "Fortress America" which Governor Dewey finds so untenable, but certain it is that we cannot afford to ignore the danger that some such state of affairs may presently come into being. With almost every breath the leaders of what is now known as our internationalism shout their claim that it is essential that we take a position of "leadership." But leadership implies a following and we should be imprudent indeed if we did not keep constantly alert to the possibility that we may become leaders without important followers.

"Bold" Leadership

It is commonly asserted that leadership to be effective —*i.e.*, to attract and hold followers—must be "bold" or "courageous" or without thought of "appeasement," or "strong" or some other such adjective. Of course, timidity rarely attracts followings, but it is also quite possible to lose followers by ill-considered fool-hardiness or steps which are almost foredoomed to misunderstanding. There can be no question that our foreign policy has in the past been quite vacillating and equivocal. For that there can be no excuse. Such vacillation may well be in part responsible for the situation in which we find ourselves at the moment. There are, however, certain other factors which in their historical setting are vital, or so we think, and are today being grievously overlooked and neglected.

Let us think of these things for a moment in this way. Whatever we may say or think about our own might, or whatever may be the effect of our possession of great military strength, real peace, abiding peace in the world depends in no small part upon what the people of India, China, Malaya, Burma, and the various other lands in the East, think of us and our intentions. Now what they think our real plans are depends not only, not even chiefly, upon what we say or how we say it, but how our actions are interpreted in light of their centuries-long experience with Western powers. It is true that prior to World War II we did not, with the exception of the Philippines and a few scattered small islands in the Pacific, show much interest in interfering with or exploiting the Asiatic world. But rightly or wrongly, there has been a drastic change in all this since 1941, and that change has been simultaneous with an obviously altered attitude toward the remainder of the world and a much more aggressive spirit.

Now let it not be forgotten that the experience of all these nations and all these peoples with the Western powers has for centuries been anything but conducive to ready belief of our protestations of lack of interest in what is usually termed imperialistic ambitions of any sort. When they see us entrenched in the Philippines, on almost numberless Pacific islands, and (for the moment at least) intent upon Formosa, to say nothing of Okinawa, and hear us talk about insisting upon permanent occupation or at the very least powerful military bases at these various points, we can hardly be surprised that the Chinese and the others are inclined to interpret all this in light of what they have suffered from the imperialism of white men through the centuries.

American "Imperialism"

It is hardly surprising, therefore, that it has been so easy for Communists to build up a case against American "imperialism" in the East as an outgrowth of our operations in Korea. It is still less surprising when it is recalled that we have regularly been maneuvered into the position of supporting regimes which left a good deal to be desired. To understand fully our failure to impress many of these peoples we must also remember that the concepts and the traditions of "democracy," which are by-words with us, are wholly foreign to most of these Orientals. To us what they (and the Russians) call democracy is plain and simple tyranny; to them what we call democracy is likely to appear aggrandizement and exploitation. To many Asiatics, therefore, our insistence upon control of the approaches to Asia is about what Russia's control of the approaches to our own homeland would be to us.

What the Kremlin Thinks

It would be difficult, really, to be certain what the actual views of the Kremlin about all this are. It asserts that it is in need of looking constantly to its defenses against aggression by or aggression inspired by the United States. It is true, of course, that we have Alaska and are fortifying it. It is true that we have arranged bases wherever we could throughout the Atlantic area, and have others located in a sort of giant circle about Russia. It is true, of course, that we vigorously are urging Western Europe to arm to defend against Russian attacks. It is true that Russia has historically thought in terms of expansion and imperialism; and so have most European countries at one time or another. It is true that most of the Western countries have been traditionally hostile to Soviet Russia. Despite all this it is difficult for most of us to believe that the Kremlin is really afraid of attack.

But that is not quite the point. There is a suspicion that Russia, either for fear of attack or using pretended fear as an excuse, might not need much provocation for attacking Western Europe. There is doubt of the efficacy of meeting Russian belligerence with American belligerence. Such doubts are at the bottom of European hesitancy.

It would help if we could get an occasional glimpse of ourselves as we appear to the rest of the world.

Continued from page 7

"Are We Falling Into History's Greatest Trap?"

man, Acheson, Tobin, et al., I would be interested in hearing about it.

* * *

H. D. IVEY

President, Citizens National Trust & Savings Bank of Los Angeles, California

There are so many aspects to the present situation, so much that a layman never hears about, that it seems difficult and certainly unwise to express an opinion.

(1) Some of us, I think, would approach the problem by suggesting the reduction of government expenses—City, State, and Federal; and I mean reduction.

(2) Put a stop to all outlays of money for any project which is not vitally necessary at the moment.

(3) Exert every effort to control inflation, no matter how much it hurts—and provided the hurt is evenly distributed.

(4) I shall not express an opinion for or against anyone, but if those who lead us and determine our policies, both at home and abroad, do not know their business and the people believe that they do not—then we are indeed in trouble.

* * *

O. J. LACY

President, California-Western States Life Insurance Company, Sacramento 4, Calif.

Dr. Melchior Palyi's article appears to bear out the statements made by Brigadier General Bonner Fellers (retired) at the Life Insurance Agency Management Association meeting in Chicago, Nov. 16, and Admiral Zacharias' address to the National Association of Manufacturers in New York City early in December. Both felt that we should develop our various destructive bombs, large, fast planes with great cruising radius to deliver them, and establish National defenses behind bristling radar warning systems to protect our own country.

Both felt we didn't have a Chinaman s chance against Russia with an army in Western Europe.

* * *

R. S. REYNOLDS

Chairman of the Board, Reynolds Metals Company, Richmond, Virginia

I feel that as long as the earth is divided between Creative Minds and Criminal Minds, the Creative Minds seeking, at all times, to enrich the world and its population—the other to destroy it—we must be prepared for battle. I am happy that our Government, through General Eisenhower, is now awakening the population of this great nation to the fact that if we fail to prepare, we cannot survive.

* * *

C. B. ROBINSON

Georges Mills, N. H.

I largely agree with what Mr. Palyi says. In no great war has it been possible to make **all** important points secure. I agree with Mr. Hoover entirely the will to resist has almost as much to do with success as the means. We have to consider, however, that we have an ignorant, buraucratic and chaotic government, riddled with subversive influences. This condition **must** be dealt with before we are our real selves.

* * *

A. S. RODGERS

President, White Sewing Machine Corporation, Cleveland 1, Ohio

I am in the fullest agreement with practically everything Dr. Palyi has said. His reasoning is so clear that one cannot fail to understand and appreciate just exactly what he means. We could very well be playing into the hands of the common enemy without realizing it by having our spending program so far out of balance with the maintenance of the home economy. This whole article is a very rational, common sense expression of the position we may well find ourselves in if we continue on our present program. "Are We Falling Into History's Greatest Trap?" might well be the spark to stimulate Americans into thinking along straight lines.

* * *

V. H. ROSSETTI

President, The Farmers and Merchants National Bank of Los Angeles, Calif.

I substantially subscribe to the expressed views of Dr. Melchoir Palyi; but I might add that, try as I will, I cannot find justification for the tremendous amount of our outlays in the furtherance of the Marshall Plan, for the reason that I have not been able to discern the attainment of an iota of its objectives, namely, the suppression and preclusion of the march of communism, particularly, when I sense our continued relationship with Russia and her satellites, and the apparent growth in most all other areas, which, as I sense it, lends itself to an annihilation of our own economy. Witness, a marked increase in the gold reserves of those recipients of our Marshall Plan contributions—specifically, an increase in those of Great Britain in the past year from a low of $1,300,000,000 to the present amount of $3,300,000,000, and a decrease in our holdings for last year of $1,700,000,000.

Likewise, I am at a loss to subscribe to our policy with respect to the Korean situation, with the attendant reported casualties, which have and continue to overtake our youth, to say nothing about the extremity of our expense outlays, with adverse reflections on our whole economy. One cannot conclude but that a very serious economic situation confronts our country at this time.

* * *

W. A. THOMPSON

Chairman of the Board, Seaboard Finance Company, Los Angeles 15, California

I was very much interested in the views expressed by Dr. Melchior Palyi in his article appearing in the "Chronicle."

I thoroughly agree with many of the views expressed by Dr. Palyi, but believe that we should have a well trained Army of approximately 3,500,000, some of whom should be sent to Europe, chiefly, because they were promised and if this promise is not kept, I believe it would cause considerable harm.

The Navy and Air Force should be enlarged and improved, but not to the extent that would be required if we attempted to police the world. We have neither the resources or the manpower to adequately do the job, nor do I believe it necessary to contain Russia.

On the above basis after a couple of years of preparation, which again would only be correcting a mistake of the past, namely, almost total disarmament after the termination of fighting in the recent war, the country could return to a more normal life and at a cost that we can reasonably expect to pay.

We would not fall into a trap and we and our Allies would be sufficiently strong to continually impress Russia that a quick victory was not possible in the future more than it is today. Probably of equal or greater importance would be to have a foreign policy that the country could unite behind, clearly stated, and firmly adhered to.

WILLIAM F. WYMAN

President, Central Maine Power Company, Augusta, Maine

I feel that we should not overlook the absolute necessity of keeping this country's internal economy strong. Unless this is done whether we have a war with other countries will not make too much difference.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Joe D. Cash is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Joins Stix Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Robert E. Mendelson has joined the staff of Stix & Co., 509 Olive Street, members of the Midwest Stock Exchange. He was formerly with Henry, Franc & Co.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Bert Dickey, Albert H. Mettenbrink and Andrew J. Duerr are now with Waddell & Reed, Inc., Barkley Building.

Halsey Company

(Special to THE FINANCIAL CHRONICLE)

DOBBS FERRY, N. Y.—Sheffield J. Halsey is engaging in an investment business from offices at 62 Livingston Avenue, under the firm name of The Halsey Co.

Continued from first page

Selecting Industrial Preferred Stocks

market prices, with the range of yield fluctuations only moderately greater than that for the longest term high grade bonds. This is, of course, a description of good quality preferred stocks; it excludes volatile issues in which trading must be timed to anticipate changes in business activity and profits.

It is difficult to determine the exact size of the field from which a selection is to be made. There are a great many small, closely held issues of no interest to the average investor. Perhaps total listings on the New York Stock Exchange are as good a measure as any conveniently at hand. On Nov. 30, 1950, the market value of 321 different issues was just over $5.4 billion. While listed industrial common stocks had a value of some $64 billion, bonds of industrial corporations listed on the Exchange had a value of only $2.4 billion, and the par value of industrial bonds on the New York Legal List amounted to less than $1.1 billion. We have, therefore, a relatively important field for investors: a field which has been growing in recent years. In the last decade, listed bonds increased in volume by only $400 million, while the market value of listed preferred stocks increased by more than $1.5 billion. Total industrial debt increased more rapidly, but the issues freely available to all investors did not.

A useful thought to bear in mind at the outset is that over a long period of years only about one-third of the *new* issues have proved satisfactory investments. Losses have certainly been far greater than in industrial bonds. However, these bad experiences should not be permitted to frighten us away from the large volume of seasoned issues which have given an excellent performance over a long period of years. The record is clear that by the proper selection and timing of purchases, entirely satisfactory investment experiences can be obtained. Our discussion today is devoted to the question of selection.

The Nature of Preferred Stocks

Industrial preferred stocks are relatively complex instruments and they are found in infinite varieties. However, there are certain common characteristics and standard provisions which indicate some of the reasons why poor selections can result in heavy losses.

A Preferential Claim: The holder of preferred stock has a claim on assets and earnings which is preferential to the claims of the holder of common stock and nothing more. He is still a part owner of the corporation, rather than a creditor, and the peculiar weaknesses of preferred stocks can be traced largely to this fact. A preferred stock is essentially a compromise between the issuing corporation and this particular class of stockholder. The stockholder wants a better rate of return than that obtainable from bonds, yet he seeks to escape the irregularity of dividends characteristic of common stocks. The corporation, on the other hand, seeks to obtain additional capital without building up potentially embarrassing fixed charges and maturities or diluting unduly the common stock equity. Out of the years of bargaining between corporations and investors several distinctive features of industrial preferred stocks have evolved which deserve brief comment.

Dividend Preference: Investors have insisted upon and almost invariably obtained the provision that dividends be cumulative; i.e., any dividends omitted in the past must be paid up before any payments are made on junior securities. In the decade of depression from 1931 through 1940, just under 41% of the issues of general market interest paid their dividends promptly when due. Because this was a severe test period, it brought out very clearly the fact that preferential dividends are not too much better protected than common dividends. During the early 1930's in almost half of the cases where common dividends were passed, preferred dividends were omitted in less than a year. It has also been true that arrears have been paid up in cash in less than a majority of the cases. Recapitalization settlements of arrears have seldom been generous because the bargaining position of the preferred is usually weak relative to the common stock. In most cases, the preferred stockholders have to give up something in order to obtain the favorable votes of the common stockholders.

Conversion Features: Since it appears that there are plenty of opportunities for losses in industrial preferred stocks, the question naturally arises as to profit possibilities through conversion features and stock purchase warrants. In perhaps one case out of three, the issuer offers a call on the common stock either in order to obtain a lower dividend rate or to give some needed appeal to investors. The record is clear, however, that only a small minority of convertible issues ever really show substantial appreciation, especially in the more stable and mature industries. Generally speaking, if the conversion feature does not produce a substantial profit within two or three years, it probably never will.

Purchase Funds: In recent years, preferential purchase funds (usually described by the misleading term "sinking funds") are being more frequently provided. They are present in about one out of four industrial issues. There has probably been overemphasis on retirement provisions of this kind in the effort to make preferred stocks more closely resemble bonds, so that they will have greater appeal to institutional investors. Nevertheless, very real long-range protection is often to be found in a retirement fund. It is an especially desirable provision in the case of companies not having growth characteristics. Because it is not in any sense a contractual sinking fund, however, the purchase or retirement fund should not be accepted as a substitute for evidence of basic strength.

Asset Preference: In industrial securities especially, earning power is the all-important consideration because assets have relatively little value apart from their capacity to produce profits. A preference as to assets is not very important, therefore, except as protection in a reorganization or a recapitalization. The fixed preference of par value (or a stated figure in the case of no par stock) plus accumulated dividends is apt to receive reasonably fair consideration and forms the basis for any proceedings to exercise the right of appraisal. What about the 7% noncallable stocks currently selling at around 183, but having a preference as to assets of only $100 per share? This is a rather complicated question, involving a number of special considerations. Because the comparative yields on high premium issues is such a factor, I shall defer dealing with this particular question until next month's discussion of markets and price relationships.

Summary: Because of the inherent weaknesses of a preferential claim, as contrasted with the contractual claim of the bondholder, it is important to have a few basic protective provisions. Most of the following should be obtained by the investor:

(1) Cumulative preferential dividends.

(2) A cumulative annual purchase fund of 2% or more of the largest amount of stock outstanding at any time.

(3) Preference as to assets of par plus accumulated dividends in involuntary liquidation and the prevailing call price plus accumulated dividends in voluntary liquidation.

(4) Requirement of a two-thirds approval of the preferred stock to create any equally ranking or prior preferred stock or to create funded debt in excess of a designated percentage of the preferred stock.

(5) Full voting rights and minimum representation on the board of directors in the event that dividends are one year in arrears.

In new and untried ventures, the investor should seek a larger purchase fund and the right to elect a majority of the board of directors if dividends are unpaid for a year. Some kind of a call on the common stock for a limited period is also to be expected as additional compensation for the risks of a new enterprise.

While such protective provisions are important, it is abundantly clear that they will not save an investment from disaster. They will simply reduce the loss from what it otherwise might have been. By the time recourse is had to the remedies afforded by such provisions, it is invariably too late to salvage the original investment.

Four Approaches to Selection

We are on notice that many of the industrial preferred stocks made available to investors will prove to be unsatisfactory holdings. There must be a systematic approach to selection, therefore, with recognition of the need for comprehensive analysis and review. If we are prepared to take the trouble involved, we can have confidence that the results will be satisfactory.

There is no formula or set of formulas for selection, and experience suggests that we should mistrust any formulas which are suggested. The difficulty with a formula is that it presupposes behavior in the future substantially identical with the sequence of events in the past period during which the formula was derived. The work which I did with the Trust Investment Study Committee of the New York State Bankers Association on the performance of the New York Legal List in selecting corporate bonds was to me a most devastating indictment of attempts to select securities by formulas. What I have to suggest as aids to selection, therefore, are not formulas but simply four reasonably systematic and objective approaches to an appraisal of the prospects for and the inherent strength of the preferred stock under consideration.

(1) **Industry Analysis:** It is perfectly obvious that stable and growing industries are most likely to produce the maximum number of good preferred stock investments. An intelligent opinion must be formed, therefore, of the predominant industry characteristics and prospects. Growing industries are the best and consumer goods lines are next best. Heavy industry and cyclical activities make a poor showing. Stagnant or declining industries naturally have the worst record. As a check on the industry appraisal, it is helpful to note the dividend record and price behavior of the various preferred stocks outstanding in the industry. A poor or erratic industry outlook confirmed by a mediocre performance record by the issues of representative companies in the industry should be a warning against giving too much weight to temporarily favorable earnings. Conversely, a favorable industry appraisal and good records for other issues are entitled to give a high degree of confidence in an issue.

(2) **Capitalization Analysis:** Favorable or unfavorable industry characteristics may be intensified by the capitalization of the individual company. Funded debt should be taken at par, with preferred and common stocks at market, to obtain the figure for total capitalization as used for this purpose (book values of the equity securities may be misleading). There is a clear relationship between conservative capitalizations and good performances for preferred stocks. Some general standards are that the investor should be careful whenever funded debt and preferred stocks together constitute over 25% to 33⅓% of capitalization, with the amount of debt an important consideration. If debt is 5% to 10% of the total, preferred stock may safely be 25%; whereas, if debt is over 15% to 20% of the capitalization, preferred stock outstanding even in small amounts may be unstable.

(3) **Earnings Analysis:** The investor's first concern is, of course, that there be adequate current and prospective earning power. It appears that a good quality issue should show preferred dividends and any prior charges covered at least three times in average years. During periods of great prosperity such as the postwar years, this multiple should probably be four to five times except in the most stable types of business. If the coverage is adequate (three to five times), any greater coverage does not appear to be very important, provided earnings are reasonably stable. This factor of stability of earning power is most important not only in anticipating continuity of dividends, but also in determining market behavior. Instability is difficult to measure closely, because it has been encountered so infrequently in recent years. A period like 1936-1940 was ideal for testing stability because it contained a complete cycle. I found that unless the worst earnings of these five years equalled at least 40% of the best year's results, excessive instability was present in the business. This measure has lost much of its validity because of the passage of time and events since 1940. In some instances, however, it may still be useful. In other cases, perhaps the question of earnings stability will be answered by comparing second quarter 1949 earnings with the peak profits of the third and fourth quarters of 1948. Even this brief recession brought out evidences of instability wherever it existed.

(4) **Current Asset Protection Analysis:** It is logical to expect that a strong current asset position will provide greater assurance of continuity of dividends. In practice, however, this factor proves to be unimportant in the case of otherwise well-protected issues. When earnings are relatively low and unstable, a good net current asset position (equivalent to at least 50% and preferably 100% of the face amount of the preferred stock after deducting prior securities, if any) improves experience significantly. In short, large current assets offer slim security in the absence of earning power, but may serve to reduce the loss once a preferred stock has lost investment standing.

Combining the Four Tests: Actually, of course, selection is not a matter of simply applying any such four tests and accepting or rejecting a preferred stock on the basis of them. They must be considered rather as check points or aids to the exercise of judgment. As a part owner of the enterprise, the investor cannot avoid coming to a conclusion on its outlook and the ability of the people who run it. Furthermore, he must continue to exercise supervision over the investments, watching for new developments and basic changes affecting the company.

Quality Pays

I know of no field in which the old axiom that "quality pays" can be so readily demonstrated as in the case of industrial preferred stocks. The inherent weaknesses of the form of the security tend to result in losses out of all proportion to small yield differentials. I should like to close, therefore, on a note of conservatism. In making selections, it pays, and pays well, to exercise care and discretion; this is no field for the optimist or the wishful thinker. The opportunities for a successful investment experience are there for those prepared to do a thorough analytical job, those who are conditioned to experiencing periods of adversity without panic, and those who seek moderate rather than spectacular gains in their record of performance.

Lawfer Senior V.-P. of A. W. Benkert Co.

A. W. Benkert & Co., Inc. announce the election of Stanley E.

Stanley E. Lawfer

Lawfer to the newly-created post of Senior Vice-President.

Mr. Lawfer has been a Vice-President of the investment corporation for the past 11 years.

Lentz, Newton Adds

SAN ANTONIO, Tex.—William M. Cassin is now associated with Lentz, Newton & Co., Alamo National Building. He was formerly with Waddell & Reed, Inc.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership Daniel M. Hawkins, Hawkins & Co., Cleveland, Ohio.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGIELD, Mass.—John F. Bills has been added to the staff of Paine, Webber, Jackson & Curtis, Third National Bank Building.

Joins H. C. Wainwright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Louis Sherfesee, Jr., is now connected with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

Continued from page 2

The Security I Like Best

$7.25. This would comfortably exceed the $5.50 annual dividend requirement. It should not be too difficult for such an amount to be earned from investment income alone after management costs and taxes. Accrued dividends on the prior preferred amount to about $1,360,000 and could be paid out of pocket from surplus or earnings of 1950-1951.

Another level of advantage for this series A preferred is the leverage. Ahead of the issue lie about $24,000,000 of bank loans and $3,151,000 of prior preferred stock (adding in the accumulated dividends and using the value of $50 per share). This amounts to a total of $27,151,000. At June 30, 1951, holdings of $17,400,000 U. S. Government securities offset these prior obligations and stock to a considerable extent. But a ready position exists here to take advantage of opportunities as they arise.

Another level of benefit is the chance that the discount will close up. If an offer were made to retire more of the series A preferred (about two-thirds of this issue has already been retired) through an offer of common stock, the discount would drop. If at this time the arrears were cleared off on the prior preferred the discount would drop. The discount might decrease also due to other reasons such as speculative popularity or improved standing of the issue through diversification. These are some dynamic possibilities, on this level, of what is happening or could occur. (The management has stated that no more shares will be bought in as that would constitute a liquidation. There may, however, be alternative courses of action such as partial or complete offers of retirement through exchange for Alleghany common.)

Therefore, the various mentioned levels of improvement for Alleghany series A preferred are:

(1) Excellent railroad and industrial stocks owned in the portfolio having the desirable characteristics to be found in the holdings of any good diversified trust.

(2) Financial and managerial assistance to controlled companies.

(3) Portfolio management. Alleghany exercises an alert and progressive management in market purchases and operations.

(4) Portfolio earnings. The prospect is that these will exceed preferred stock requirements. Accordingly, there will be retention of earnings in the company itself and in turn by the owned companies.

(5) Joint Venture profits.

(6) Leverage.

(7) Discount. There is the chance that the discount will lessen.

* * *

Besides thinking it the best buy he knows of and the best holding to venture into the future with, the writer recommends Alleghany preferred for its entertainment value. It is like a five-ring circus. Something is usually going on in all of the rings and usually to the benefit of the shareholder.

The series A preferred is held in large amounts by Messrs. Young and Kirby. If it this were not the case the issue might possibly be less favorably regarded marketwise.

A fairly recent event has been the elimination of the deficit in surplus account. This elimination has opened the way legally for dividend payments which are impossible as long as a deficit exists. One payment of $2.50 has been made on the prior preferred, and as things are there is the legal and financial possibility of payment of accumulations on the prior preferred and initiation of dividends on the issue discussed by this article.

Alleghany series A is a fast-moving stock. It does not have a blue-chip rating. But it can be argued that this stock is a safer medium for the investment of money than others. To so argue, it is merely necessary to point out that if the value of the underlying assets falls beyond a certain point there will be a deficit in surplus account. In this circumstance no dividend may be paid. This happening, the automatic retention of earnings from the portfolio and reinvestment of such retained earnings are in time bound to correct the deficit. A fact of security of this sort cannot be claimed for many other issues of companies that could find themselves out of business through technological or other change.

If Pittston declined from 30 to 15, the net asset value per share for Alleghany series A would only decline from $145 to $127½. If C. & O. fell by the same 50%, it would reduce Alleghany's asset value by $15 per share.

The writer believes that here is a dynamic situation with most of the factors operating upward. These dynamic factors are multiple rather than single. They are on various levels of consideration and they work concurrently for the benefit of this stock issue. He believes that if it is desired to get struck by lightning one should go where the lightning is likely to strike. So in stocks, if you want to get appreciation you should own where there are dynamics and change. This stock offers these factors to the highest degree.

The outlook for payment of dividends within a year or year and a half seems good. There is no bar to such payment. What then is a stock worth with assets back of it of $145 per share (what will the then figure be?) and with $108 back dividend accumulations?

Net Asset Value of Series A Preferred Stock

1937	d$10.00
1938	d3.00
1939	14.00
1940	19.00
1941	d3.50
1942	6.50
1943	48.00
1944	62.00
1945	85.00
1946	76.50
1947	81.50
1948	86.50
1949	95.00
1950	130.00 (approx.)
Feb. 15, 1951	*145.00

d Deficit. *This value arrived at by projection of June 30, 1950, balance sheet. Also market value of Investors Diversified Services is used rather than book value (as used by Alleghany).

JOHN J. D'ARCY

Assistant Treasurer, F. L. Putnam & Co., Inc., Boston 10, Mass.

Texas Utilities Company

Do you want a good public utility Common stock that is listed on the New York Stock Exchange (Feb. 13th); that can be bought by trustees in any state in which the Prudent Man rule is recognized; that is owned by many institutions, investment trusts, fire insurance companies and conservative investors; that is not subject to Federal or State Public Utility Commissions? If you do, the security is **Texas Utilities Company.**

John J. D'Arcy

This holding company was incorporated in September, 1945, to bring together under common ownership the holdings of American Power & Light Company in Texas. The Texas Utilities Company owns 100% of the Common stock of Texas Power & Light Company and Texas Electric Service Company; and 91.27% of the outstanding Common stock of Dallas Power & Light Company.

In February, 1950, American Power & Light Company distributed to its shareholders Texas Utilities Company stock. At that time there were 4,400,000 Common shares, and an additional 400,000 shares were sold publicly in March, 1950, at $25.00 per share.

The system, which is integrated and interconnected, serves an area in East, Central, North and West Texas, comprising 72,000 square miles, or 27% of the area of the State of Texas, and a population of 2,250,000, or about one-third of the state's population. Largest cities served include Dallas, Fort Worth, Waco, Wichita Falls, Tyler, Odessa and Temple.

We are all familiar with the tremendous growth which has taken place in Texas in the last decade. As an example: Texas Electric Service Company provides power to the well-known Scurry County oil field where during the past year over 200 million dollars has been invested by oil producers. The territory is considered one of the most rapidly expanding areas in the country. It can well be called the "heart" of the industrial southwest. Among the more important industries which have reached a dominant position in the country's economy are: agriculture and its concomitants which are cattle, hog and sheep raising; aircraft manufacture; natural gas, oil and mineral production; and steel production.

The generating capacity of the system was 508,000 Kw. in December, 1948, and about 865,000 Kw. as of December, 1950. It is expected that installed capacity will be approximately 1,220,000 Kw. by December, 1953. This represents an increase in generating capacity, when completed, of about 140% over the 1948 year-end capacity. The abundant natural gas in the area furnishes the company with very cheap fuel for its steam generating plants. The total fuel costs of the company are less than 6% of operating revenues, compared with a nationwide average of over 17% for the electric utility industry.

A breakdown of system revenues reveals an exceptionally well-balanced distribution, as follows: residential and rural 40%; commercial 33%; industrial 24%; and municipal 3%. A phenomenal factor in the company's growth in the past ten years is that Operating Revenues have increased 120% and Net Profit has increased 227%. This is truly an extraordinary expansion of net earnings in a ten-year period.

The Common stock of Texas Utilities Company represents an equity of 37% in the financial structure of the system. It has no funded debt or preferred stock outstanding.

The company reports that, subject to audit, indicated earnings of the company and subsidiaries consolidated for the year 1950 were $2.40 a share, on 4,800,000 shares outstanding at year end, after providing for estimated Federal taxes under the new tax law. This compares with $2.18 a share earned in 1949 on 4,400,000 shares then outstanding.

The stock is currently selling about $27, to yield 4.75% on the present dividend of $1.28 per share, which represents a pay-out of only 53% of 1950 reported earnings. Therefore, it is a logical probability that a dividend increase to $1.60-$1.80 a share can be expected in the near future in view of the above favorable conditions. When and as such an increased dividend becomes effective, the stock should sell in a $32-$35 a share range. Where else can you find such great potentialities in a good public utility Common stock?

HAROLD A. FRANKE

Secretary, The Milwaukee Co. Milwaukee 2, Wis.

Marathon Corporation Common Stock

While many companies appear to have a bright future, it would seem that the future prospects of Marathon Corporation are more certain because their products are now a "must" in modern food distribution. The trend toward packaging of all foods has been going on for some time but the development of the self-service stores in recent years has given packaging a big lift. Furthermore, the retailing of frozen foods has made tremendous strides as indicated in the Company's latest annual report which shows that the number of stores handling frozen foods increased from 3,000 in 1938 to 200,000 in 1949.

A list of the Company's customers would include practically all of the important companies in the food industry, such as, General Foods Corporation, Borden Company, Beatrice Foods Company, National Dairy Products Corporation, Continental Baking Company, General Mills, Inc., Kellogg Company, Great Atlantic & Pacific Tea Company of America, Swift and Company, Armour and Company, Standard Brands, Incorporated, and many others.

The principal products packaged would include frozen foods, pre-packaged meat, poultry and fish, cheese, butter, ice cream, lard and margarine, baked products and many others. In addition to paper products, the Company also converts foil, cellophane and other chemical products into packaging items.

In the last decade, over $35,000,000 has been spent for plant and equipment. Marathon is now a completely integrated unit from the harvesting of the trees in the forests through the various manufacturing processes to the completed food package. Printing is in such volume that the Corporation has its own ink-making, photo-engraving and electrotype plants located at Menasha. As a further step in its integration program, Marathon is installing its own chlorine manufacturing plant, adjoining its Canadian mill, which is expected to be completed in 1952 and should assure the Company of an adequate supply of chlorine and caustic soda, which are highly important materials in the manufacture of pulp.

The Company is now operating five plants and in December of 1950 acquired a modern factory building at Sunnyside, Washington. It is expected that this plant will be placed in operation during the first half of 1951, as a converting plant to serve the area's growing population.

The aggressiveness of the management is indicated by the trend of sales which increased from $18,080,000 in 1941 to $68,270,000 in 1950. Net profit for the same period increased from $1,205,000 to $6,536,000. Net income for 1950 was equivalent to $4.84 a share on the common stock. Dividends during this period totaled $1.50 a share. The Company is paying out a small part of the earnings so that even the present indicated annual rate of $2.00 a share could be increased; at least it looks safe even if excess profits taxes should take away a larger part of the earnings

Marathon's research organization covers all phases of the operation of the raw materials used in the finished product. There is little doubt that this will pay off in the future as it has in the past since Marathon can be credited with some important "firsts" in the packaging field. While a report on any company might seem incomplete without some comment on the management, I believe that in this case the records speak for themselves. Marathon common is listed on the New York Stock Exchange and is a suitable investment for conservative individuals, trustees and insurance companies.

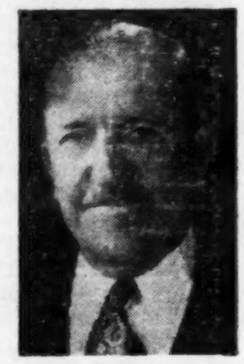
MASON B. STARRING, JR.

A. C. Allyn & Co., New York City

American Seating Co.

Some of the main reasons why the common stock of the American Seating Company is one of the "Securities that I like best" are the following:

(1) It is a growth company with virtually assured capacity operations—under either a peacetime or wartime economy — for nearly ten years; (2) The stock listed on the New York Stock Exchange, is selling at a low price times earnings ratio, has a good Excess Profits Tax exemption, and provides an excellent yield.



M. B. Starring, Jr.

A little over a year ago responsible estimates placed the need for the building and equipping of classrooms over the next ten years at $10 billion. More recent estimates have raised this figure. As long ago as March, 1950, Dr. Roy Hamon of the United States Office of Education stated that in the next eight years the country would need to build a minimum of 500,000 classrooms at a total cost of $13.5 billion, with an annual outlay of $1.5 billion for public elementary and secondary school buildings.

Recent estimates place 1951 births at 3,700,000. This figure is exceeded only by the all-time record year of 1947, and further illustrates that this country faces a serious and continuing problem to find adequate school facilities for the greatly increased and increasing number of school-age children.

The large increase in the school population has hit the country at a time when it is poorly equipped to provide adequate facilities. The net result is a picture of children being educated during 1950 in 150,000 obsolete, unsafe, and poorly located classrooms.

The job of equipping the classrooms of America will fall to a very large extent on the American Seating Company of Grand Rapids, Michigan. This company has been manufacturing seating for sixty-four years, and in addition to its school seating business is the dominant factor in equipping churches, manufacturing seats for auditoriums, stadiums, theatres, and busses. The company also supplies schools with a complete line of school accessories, blackboards, chalk, pencils, tablets, etc.

The acceptance of the company's products is attested by their installation in many of the leading public gathering places in the country. American Seating equipment is found in the Metropolitan Opera House, Radio City, twelve of the fourteen major league ball parks, most of the nation's racetracks, and leading churches and auditoriums throughout the country. The company's "know-how" in seating is recognized by the Government. During World War II, American Seating turned out millions of metal folding chairs for Army and

Navy installations. Since the outbreak of war in Korea, the company has once again turned a part of its production to the military, and is currently making tank seats for the Army and plane seats for the Air Force, as well as special rigging to secure pilots to their seats.

American Seating's principal plants are located in Grand Rapids, Michigan. They include 41 buildings located on 20 acres, with an aggregate floor space of approximately 750,000 square feet. The company has its own foundry for making castings; makes it own plywood and has a power plant with generating capacity of 3.700 kw.

In addition to the Grand Rapids plants, the company in 1949 acquired at an estimated cost of $200,000 a birch plywood veneer plant at Lowville, N. Y., to process Black River area lumber into veneers for use in school and theatre seats. During 1950, American Seating purchased an interest in a small steel company in order to supplement their major sources of supply. The company's interest in this new plant is reported to be in the neighborhood of $400,000. It provides the American Seating Company with about half of its steel requirements.

The arrival in the classrooms last fall of the "war babies" pushed elementary school enrollment to 23 million. In 1949, for the first time, first-grade enrollment hit the four million mark. The problem of finding adequate school facilities for school children throughout the country is acute in many areas today. However, this problem will become increasingly more serious as the elementary grades reach the high school level. Examples of communities' efforts to meet this problem are seen in the newspapers every day, as construction is rushed and school districts float an increasing number of bond issues. To a large degree, current building is of a stop-gap nature and additional facilities will be required in another three to four years. With 1951 births estimated as the second highest in history, the country faces a continuing problem at the elementary grade level, plus a very serious problem at the high school level. A tapering off in the demand for additional classrooms should not be looked for inside of the next ten years. Should full scale war occur and classroom building be curtailed, the problem is merely deferred and pushed further into the future.

Many persons have felt that the needs of the rearmament program would curtail the school building program. All-out war most certainly would; however, under the present emergency every effort will be made to provide steel for new classrooms. Mr. Charles Wilson, Director of Defense Mobilization, in a recent letter to Governor Dewey, stated that "every effort will be made to support construction of schools . . ." The most serious squeeze on steel is likely to come in 1952. If and when there are restrictions on new schools, it is not expected that these restrictions will apply to classrooms or to classroom seating. American Seating understands that school seating ranks with public utilities, railroads, etc., from the standpoint of an "essential rating" for steel.

During 1950, American Seating had the first strike in the company's history. The strike shut down the company's plants for most of the second quarter. As a consequence, a loss was reported for this period and only a nominal profit was earned during the first six months.

During the strike, the company stocked steel and was thus able to go on a two-shift operation following the end of the strike. As a result, third quarter results were the largest in history, amounting to $4.73 per common share then outstanding. The third quarter is normally the largest as the greatest portion of school seating is delivered for school opening in September, and the greatest amount of school supplies are delivered at this time. Demand continued high during the fourth quarter.

Full-year 1950 earnings have not been reported, but should exceed $5.00 per share, based on the 304,000 shares outstanding following the 20% stock dividend in December. The company's excess profits tax base is somewhere in the neighborhood of $4 to $5 per share.

The company raised prices on December 8th to cover added costs of steel and further increases given to labor. Sales and shipments during the first quarter of this year are expected to exceed any first quarter in the company's history by a good margin, and may run more than 50% ahead of the first quarter of 1950. As possible output has been sold through the second quarter, the first half should produce records in both sales and net before taxes. In view of the tax situation, it is impossible to estimate earnings for 1951, but it is expected that sales will be to the limit of the company's production.

The major portion of sales is currently for school seating, followed by church work and defense production. The church department is operating at capacity, and production is sold well ahead. The company should have ample business in this line into 1952, even though further restrictions forbid the construction of any more churches. Wood is plentiful, and only a small amount of steel is required for hardware.

Should the present emergency become more acute, the company's defense production can be stepped up. The company is currently building folding chairs for the military, as well as plane and tank seats, reels and packboards. In addition, they are producing theater seats for various army camps, etc. As of the present, the demand for bus seating is good.

With sales expected to exceed by a substantial margin any previous year, it probably will be necessary for the company to increase its short-term borrowing. It is even possible that long-term borrowing will be considered. In view of the investment in the steel company, as well as the high level of sales, it is probable that the need to preserve cash will keep dividends conservative. In 1950, the company paid $2.50 in cash plus a 20% stock dividend. Payments in 1951 should be maintained at the same cash level and a 10% stock dividend at the year-end is a reasonable expectation.

Additions to plant and equipment during 1951 will be modest, possibly in the neighborhood of $500,000. The money will be spent on new machinery to increase production and to complete an addition to the company's power plant.

Below are operating figures for the past four years.

	1947	1948	1949	1950
Net sales	$16,037,520	$22,529,375	$26,139,908	*$24,000,000
Net income	557,333	1,396,861	2,289,478	*1,520,000
No. common shares	221,062	221,062	254,108	304,929
Net income per sh.	$2.25	$6.32	$9.01	*$5.00
† % Net to sales	3.48%	6.19%	8.76%	----
Dividends per sh.	$1.00	$2.00	‡$2.00	§$2.50

*Estimated. †1935-39 average, 6.03%. ‡Plus 15% stock. §Plus 20% stock.

The outbreak of war in Korea caused a sharp break in the price of American Seating common stock. Traded on the New York Stock Exchange, the stock declined from 51—before the 20% stock dividend—to 28½ in December, 1950. Since then, part of this loss has been regained and the stock is currently selling around 36, to yield 6.95% on last year's $2.50 cash dividend. It is believed that selling in the stock was the result of fear of how a war economy would affect the company's operations. It is obvious now that these fears were greatly exaggerated.

Due to the unprecedented demand for the company's products over the next ten years, the investor has the opportunity to acquire in American Seating a growth company at an extremely good yield and low price-earnings ratio. The potential of greatly increased earnings cannot, in all probability, be obtained until sometime after the present emergency, when taxes are reduced. In the meantime, earnings should remain at or exceed current levels in spite of higher taxes, due to the company's fairly high excess profits tax base and the prospect of record sales. Under all-out war, the company would have little or no conversion problem, and earnings under these conditions would probably at least permit maintenance of the regular dividend.

Continued from page 4

Insurance Stocks—A Defensive Investment

superior underwriting performance during the hardship years of inflation 1941-45. It is true the record is better. And yet there are significant reasons for making an investment as a defensive issue in selected issues of the Dozen.

(1) In 1941 the Big Five were selling at an average discount of 2% from liquidating value (1941 highs to 1941 year-end liquidating value). Yet, believe it or not, at year-end 1941 the Dozen were selling at an average discount of exactly zero from liquidating value. At current market, the Big Five continue to sell at an average discount (with notable exceptions) of 2% from liquidating value. On the other hand, the Dozen have fallen to a discount of no less than 31% from liquidating value. The Dozen, with their portfolios of "best name" stocks, therefore seem fundamentally more undervalued.

(2) There are good reasons to believe that the causes behind the poor underwriting experience of 1942 and 1944 and 1945 are not apt to appear again. Ocean marine writing companies have stated that they will not attempt to write war risk ocean marine in another war. It is thought that insurance commissioners will not decrease insurance rates importantly in the future when the trend is so clearly toward higher prices. While insurance rates must fundamentally be founded upon experience (the past), many executives (including ourslves *ad hoc* on many occasions) have pointed out to insurance commissioners the importance of taking into consideration "the trend" in the making of insurance rates. If this educational effort is successful, then insurance rates would reflect current experience more than previously when the past only was recognized.

Regardless of the insurance commissioners, it would appear that property owners as a whole are far more inflation-minded than in 1941-45. Inflation and loss in the purchasing power of the dollar was then largely academic. Now it is entirely realistic. It would appear therefore that agents and their assureds would be far more conscious of the desirability of keeping insurance up to the new values caused by rising commodity prices than ever before. If insurance is kept up to value, then there would be no need for an increase in insurance rates. For these reasons it would seem that underwriting experience might be better than 1941-45.

(3) Because it is more widely recognized that we are in an inflationary era, it is thought that insurance companies will not enter into competitive devices for the acquisition of business as formerly nor accept risks which they might otherwise reject. The insurance business should operate as one at or near capacity. This implies both a better profit margin and better risks. While there is no assurance that such will be the case, nevertheless the pattern seems so clear that it is believed well-managed insurance companies will follow it.

(4) The "invention" and successful usage of the convertible preferred on the part of Providence Washington is important in that it would seem to insure that a substantial supply of insurance common stocks will not be pressed on the market in the intermediate future. It took six years during the previous inflation, from 1941 to 1947, before widespread financing was necessary. Furthermore, this financing was caused not only by the rise in premium value, but by the drop in surplus due to lower security values. Unless a drastic decrease in stock prices occurs, there would seem to be no general reason for an increase in insurance capital in the intermediate future. And when—and if—it occurs it may very likely be through the route of the convertible preferred. This device will in effect enable the companies to sell their common stock at 15-20% above current market rather than 15-20% below current market. It should enable those insurance companies "short" of policyholder surplus to write more volume than previously, relatively secure in the assurance that new capital can be raised by tapping another market than the common stockholder.

David Z. Andrews

David Z. Andrews, partner in Andrews, Posner & Rothschild, New York City, died of a heart attack at the age of 51 while vacationing in Florida.

Howard Eastlake Opens

(Special to The Financial Chronicle)

ANDOVER, Ohio—Howard Eastlake is engaging in a securities business from offices on East Main Street. Associated with him are Grant W. and Russell McConnell.

May Investment Co.

Maxwell May has formed the May Investment Co. with offices at 2027 Lexington Avenue, New York City.

Now Hudson, Stayart Co.

DALLAS, Tex.—The firm name of R. S. Hudson & Co., Inc. has been changed to Hudson Stayart & Co., Inc. Offices are in the Reserve Loan Life Building.

Edwin E. Bennett

Edwin Eversley Bennett, partner in Bennett & Palmer, New York City, passed away at his home at the age of 72.

Continued from page 8

The Titanium Situation

by adequate alloying. While it welds nicely to itself, as yet no methods have been devised to weld it to other metals. This handicap should be overcome if it is to be used for many purposes.

Sources of Production

The metal is being produced at the present time in the form of sponge and castings by DuPont and the National Lead Company. Fabrication of the DuPont product is being carried out by its subsidiary, Remington Arms Company, who are producing castings approaching 1,000 lb. size. Remington have become allied with the Crucible Steel Company in Rem-Cru Titanium, Incorporated, and are fabricating forgings, bars, sheet, plate, strip and wire in the Crucible Steel Company's plants. The National Lead Company has affiliated itself with Allegheny-Ludlum Steel Company to form The Titanium Metals Corporation of America. They are producing sponge metal ingots up to 1,000 lbs. and are fabricating forgings, bars, sheet, plate, strip and wire in the Allegheny mills. Melting of alloys which were developed under a Navy program is being carried out at P. R. Mallory & Co. in Indianapolis. Republic Steel Company have installed some melting furnaces and are producing sheet and strip. Other companies that are rolling sheet products are the Niles Rolling Mills of Sharon Steel Company and Universal Cyclops Steel Company.

Another joint industrial effort is the Quebec Iron & Titanium Corporation owned ⅔ by Kennecott Copper Corporation and ⅓ by the New Jersey Zinc Company. This company has the largest (approximately 125,000,000 tons) exploited deposit of ilmenite, an iron-titanium oxide ore. It is located in the Allard Lake region in Quebec. The ore is being mined, carried by rail to the St. Lawrence River and then by boat to Sorel, Quebec, where the first of five proposed large electric furnaces is separating the iron from the ore and producing a titania-rich slag containing over 70% titanium, calculated as the dioxide. The slag is expected to be a source of titanium oxide for pigment manufacture as well as for production of the metal itself. The five furnaces should be completed late in 1952 and should have an output of 700 tons of titania slag and 500 tons of iron daily.

Demand to Continue

As mentioned above, the demand for this metal exceeds the amount available and probably will for some time. The production of titanium in 1949 was a few tons; in 1950 it was about 60 tons and in 1951 will be on the order of 600 tons. Any proposed expansion beyond that stage has not as yet been publicized. The cost of the metal at the present time is from $5.00-$7.50 per pound of sponge, the exact figure depending on the quantity. There has been some talk that this price can be reduced to $3.50 when production reaches several tons per day. Castings made from this sponge in the form of ingots are $7.50-$10.00 per pound. Wrought metal is quoted at the following base prices which are subject to numerous extras: sheet and strip, $15.00 per lb.; plate, $12.00 per lb.; wire, $10.00 per lb.; and forgings, $6.00 per lb. These prices are expected to be decreased appreciably as production increases and as improved technological developments are employed. All indications are that it will be brought from laboratory production to the commercial stage faster than any other widely-used metal has developed.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Week Latest	Week Previous	Ago Month	Ago Year
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 4	99.8	99.5	101.3	73.7
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 4	1,995,000	1,989,000	2,025,000	1,404,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 17	5,936,900	5,861,250	6,051,350	4,996,850
Crude runs to stills—daily average (bbls.)	Feb. 17	¶6,444,000	6,338,000	6,505,000	5,278,000
Gasoline output (bbls.)	Feb. 17	20,425,000	20,069,000	20,724,000	17,617,000
Kerosene output (bbls.)	Feb. 17	2,904,000	2,559,000	2,926,000	2,398,000
Gas, oil, and distillate fuel oil output (bbls.)	Feb. 17	9,430,000	9,420,000	9,366,000	6,890,000
Residual fuel oil output (bbls.)	Feb. 17	9,209,000	9,714,000	9,637,000	7,758,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 17	134,598,000	133,134,000	123,782,000	131,647,000
Kerosene (bbls.) at	Feb. 17	13,314,000	14,693,000	17,177,000	17,116,000
Gas, oil, and distillate fuel oil (bbls.) at	Feb. 17	49,420,000	53,065,000	61,147,000	58,090,000
Residual fuel oil (bbls.) at	Feb. 17	39,874,000	40,206,000	40,109,000	51,336,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 17	740,557	573,163	779,816	560,068
Revenue freight received from connections (number of cars)	Feb. 17	717,538	533,534	731,518	515,071
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 22	$223,777,000	$256,465,000	$305,269,000	$263,585,000
Private construction	Feb. 22	140,562,000	162,322,000	235,369,000	166,960,000
Public construction	Feb. 22	83,215,000	94,143,000	69,900,000	96,625,000
State and municipal	Feb. 22	61,169,000	60,772,000	48,380,000	74,514,000
Federal	Feb. 22	22,046,000	33,371,000	21,520,000	22,111,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 17	10,930,000	*8,445,000	11,175,000	2,425,000
Pennsylvania anthracite (tons)	Feb. 17	890,000	866,000	956,000	616,000
Beehive coke (tons)	Feb. 17	157,300	*137,100	162,400	2,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 17	272	273	301	231
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 24	6,833,000	6,905,223	6,969,566	5,854,259
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 22	127	165	193	210
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 20	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Feb. 20	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	Feb. 20	$43.00	$43.00	$46.08	$27.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 21	24.200c	24.200c	24.200c	18.200c
Export refinery at	Feb. 21	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Feb. 21	183.000c	183.000c	175.500c	74.250c
Lead (New York) at	Feb. 21	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Feb. 21	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Feb. 21	17.500c	17.500c	17.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 27	101.14	101.26	101.38	103.45
Average corporate	Feb. 27	115.83	116.02	116.02	116.41
Aaa	Feb. 27	119.20	119.82	120.02	121.46
Aa	Feb. 27	118.20	118.80	118.80	120.02
A	Feb. 27	115.04	115.43	115.43	115.82
Baa	Feb. 27	110.15	110.15	110.15	108.70
Railroad Group	Feb. 27	112.75	112.93	112.75	111.62
Public Utilities Group	Feb. 27	115.43	115.63	116.02	117.40
Industrials Group	Feb. 27	118.60	119.20	119.20	120.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 27	2.41	2.40	2.39	2.24
Average corporate	Feb. 27	2.87	2.85	2.85	2.83
Aaa	Feb. 27	2.69	2.66	2.65	2.58
Aa	Feb. 27	2.74	2.71	2.71	2.65
A	Feb. 27	2.90	2.88	2.88	2.86
Baa	Feb. 27	3.16	3.16	3.16	3.24
Railroad Group	Feb. 27	3.02	3.01	3.02	3.08
Public Utilities Group	Feb. 27	2.88	2.87	2.85	2.78
Industrials Group	Feb. 27	2.72	2.69	2.69	2.64
MOODY'S COMMODITY INDEX	Feb. 27	528.2	532.5	526.6	357.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 17	215,033	226,546	218,278	179,849
Production (tons)	Feb. 17	243,154	237,247	244,416	205,712
Percentage of activity	Feb. 17	105	104	104	92
Unfilled orders (tons) at	Feb. 17	718,490	748,012	705,371	344,030
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Feb. 23	153.3	152.9	152.1	121.3
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Feb. 10	44,487	45,568	51,396	29,848
Number of shares	Feb. 10	1,332,109	1,467,109	1,553,886	898,951
Dollar value	Feb. 10	$57,290,522	$66,494,809	$65,981,391	$35,683,156
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 10	42,365	43,360	47,785	34,351
Customers' short sales	Feb. 10	280	330	514	287
Customers' other sales	Feb. 10	42,085	43,030	47,271	34,064
Number of shares—Total sales	Feb. 10	1,209,250	1,258,027	1,377,606	960,523
Customers' short sales	Feb. 10	9,850	12,610	18,543	10,230
Customers' other sales	Feb. 10	1,199,400	1,245,417	1,359,063	950,293
Dollar value	Feb. 10	$50,604,718	$51,166,009	$53,607,787	$35,926,083
Round-lot sales by dealers—					
Number of shares	Feb. 10	347,300	337,440	365,040	324,980
Short sales	Feb. 10	------	------	------	------
Other sales	Feb. 10	347,300	337,440	365,040	324,980
Round-lot purchases by dealers—					
Number of shares	Feb. 10	459,750	548,210	551,430	270,150
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 20	183.4	*183.4	180.0	153.0
Farm products	Feb. 20	204.0	203.4	196.4	159.7
Grains	Feb. 20	192.3	195.5	186.2	162.6
Livestock	Feb. 20	270.9	271.1	257.0	199.7
Foods	Feb. 20	189.3	190.1	183.9	157.8
Meats	Feb. 20	274.3	277.5	263.5	219.7
All commodities other than farm and foods	Feb. 20	170.9	*170.8	169.3	145.9
Textile products	Feb. 20	181.8	*181.8	180.7	138.1
Fuel and lighting materials	Feb. 20	137.6	137.5	136.2	131.2
Metals and metal products	Feb. 20	188.7	188.7	188.4	168.8
Building materials	Feb. 20	226.7	226.7	225.4	192.6
Chemicals and allied products	Feb. 20	147.7	*147.2	144.9	115.0

*Revised figure. ¶Includes 527,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of January	8,830,000	*8,343,291	7,930,372
Shipments of steel products, including alloy and stainless (net tons)—Month of Dec.	6,432,776	6,051,145	5,410,902
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Jan. 31:			
Imports	$285,694,000	$244,939,000	$189,899,000
Exports	99,799,000	87,019,000	48,832,000
Domestic shipments	12,536,000	10,101,000	9,630,000
Domestic warehouse credits	23,583,000	18,222,000	21,956,000
Dollar exchange	2,329,000	1,697,000	475,000
Based on goods stored and shipped between foreign countries	29,334,000	31,544,000	9,477,000
Total	$453,275,000	$393,522,000	$280,269,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of January (in millions):			
Total new construction	$2,073	$2,235	$1,712
Private construction	1,569	1,686	1,298
Residential building (nonfarm)	901	980	742
New dwelling units	830	900	680
Additions and alterations	54	62	51
Nonhousekeeping	17	18	11
Nonresidential building (nonfarm)	374	392	257
Industrial	126	125	69
Commercial	122	138	79
Warehouses, office and loft buildings	47	47	28
Stores, restaurants, and garages	75	91	51
Other nonresidential building	126	129	109
Religious	37	39	31
Educational	28	30	23
Social and recreational	18	20	20
Hospital and institutional	30	29	25
Miscellaneous	13	11	10
Farm construction	69	66	74
Public utilities	220	243	216
Railroad	22	24	22
Telephone and telegraph	29	34	30
Other public utilities	169	185	164
All other private	5	5	9
Public construction	504	549	414
Residential building	31	28	35
Nonresidential building	214	209	155
Industrial	34	29	7
Educational	110	110	80
Hospital and institutional	37	37	37
Other nonresidential building	33	33	31
Military and naval facilities	27	25	9
Highways	110	155	90
Sewer and water	52	55	49
Miscellaneous public-service enterprises	10	11	12
Conservation and development	54	60	56
All other public	6	6	8
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of January:			
New England	$21,768,494	$24,250,270	$14,450,634
Middle Atlantic	91,078,455	65,441,003	80,823,437
South Atlantic	50,007,866	47,560,563	40,226,495
East Central	84,502,453	60,101,993	64,612,554
South Central	91,441,307	103,770,404	60,940,028
West Central	22,958,102	23,028,968	11,762,911
Mountain	12,216,683	12,961,852	6,783,809
Pacific	72,908,041	89,491,974	55,399,293
Total United States	$446,881,401	$426,607,027	$334,999,161
New York City	51,032,885	38,150,313	41,873,234
Outside of New York City	395,848,516	388,456,714	293,125,927
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of January:			
Manufacturing number	132	143	225
Wholesale number	73	77	110
Retail number	410	330	403
Construction number	97	62	65
Commercial service number	63	67	61
Total number	775	679	864
Manufacturing liabilities	$5,175,000	$5,352,000	$10,928,000
Wholesale liabilities	2,259,000	2,260,000	4,440,000
Retail liabilities	10,376,000	5,479,000	7,355,000
Construction liabilities	2,393,000	4,748,000	1,884,000
Commercial service liabilities	1,482,000	3,205,000	1,829,000
Total liabilities	$21,685,000	$21,044,000	$26,436,000
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-1939=100—As of Dec. 15:			
All items	178.4	175.6	167.5
All foods	215.4	209.5	197.3
Cereals and bakery products	177.5	177.3	169.2
Meats	252.6	247.7	220.0
Dairy products	193.4	191.5	186.2
Eggs	250.7	206.5	178.0
Fruits and vegetables	201.9	193.3	198.2
Beverages	332.3	333.3	292.5
Fats and oils	160.6	154.6	136.7
Sugar and sweets	185.5	185.8	178.8
Clothing	196.4	195.0	185.8
Rent	125.8	125.4	122.2
Fuel, electricity and refrigerator	144.1	143.7	139.7
Gas and electricity	96.8	96.8	97.2
Other fuels	201.3	200.4	191.6
Ice	152.1	151.8	145.4
House furnishings	204.8	202.3	185.4
Miscellaneous	162.0	160.5	155.5
COPPER INSTITUTE—For month of January:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	87,109	*91,218	85,650
Refined (tons of 2,000 pounds)	110,144	109,464	95,229
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	108,128	121,954	111,668
Refined copper stocks at end of period (tons of 2,000 pounds)	54,883	49,040	101,070
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of January:			
Contracts closed (tonnage)—estimated	285,087	224,808	119,317
Shipments (tonnage) estimated	171,886	*171,575	135,253
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of December:			
Death benefits	$137,352,000	$136,412,000	$132,673,000
Matured endowments	39,566,000	40,493,000	37,933,000
Disability payments	8,222,000	8,381,000	8,534,000
Annuity payments	18,131,000	21,253,000	17,097,000
Surrender values	54,309,000	55,930,000	59,180,000
Policy dividends	87,922,000	43,378,000	83,640,000
Total	$345,502,000	$305,847,000	$339,057,000

*Revised.

Continued from page 5

The State of Trade and Industry

the only exception to the general price order, is frozen at specific ceiling prices stipulated by the stabilization authorities early in February.

The government, it was reported this week, has taken steps to reduce by about 8% the amount of natural rubber that can be used in consumer products during the second quarter of this year from what it allowed in the first quarter.

The National Production Authority reports that there will be 25,000 long tons of natural rubber available for civilian uses in March, compared with 27,000 tons in February. But the overall amount of rubber that can be used in civilian items—both natural and synthetic—will be increased in March to about 90,000 tons, compared to a little over 85,000 tons in the shorter February month. In January, consumers were allowed to use about 89,000 tons of all kinds of these two types of rubber.

Steel Output Edges Slightly Higher in Latest Week

Metal users will face their most critical test during the third quarter of this year, states "The Iron Age," national metalworking weekly. Although some of them already have been curtailed by restrictions and frustrated by uncertainty, the worst is yet to come. The present timetable indicates that the full impact of the defense program will be felt during the third quarter. At the same time, the newly launched controlled materials plan will be on its shakedown cruise.

Between now and the third quarter there will be many more control orders issued, as the situation demands, it adds. Few of these are expected to do much toward clarifying the future of the metal consumer.

This week there is a wild scramble among manufacturers striving to get defense orders which just don't exist. Although more and more defense orders are being placed, they obviously are not keeping pace with material restrictions placed on manufacturers. Some of the largest orders will require many months of tooling before they employ many workers and large plant facilities. Meanwhile, metalworking plants are being squeezed by lack of materials for peacetime output and lack of orders for military output, this trade authority asserts.

The 20% cutback of steel used in autos and other consumer durable goods is regarded by some as so much "window dressing." Some steel firms have already cutback these customers more than 20%. Bigger cutbacks are in store. Auto people indicate that they will keep making cars at top speed as long as their fast-shrinking inventories hold out.

This week a critical shortage of alloy steel is causing more concern in Detroit than the National Production Authority's steel cutback order. Heading the critical list are alloy bars. The alloy shortage is uniform among major producers. It indicates that defense business is already hitting some products hard.

This week all types of steel products are more scarce than ever. There is no sign that major steel convertors plan to relinquish any of their conversion arrangements unless the government directs them to do so.

The strongest pressure is still on structurals, plate and flat-rolled steel products. Although the intensity of demand varies among producers and products, some steel companies are already assigning more than half their output of some of these items to defense and government-directed programs, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 99.8% of capacity for the week beginning Feb. 26, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 99.5% a week ago, or a rise of .03 of a point.

This week's operating rate is equivalent to 1,995,000 tons of steel ingots and castings for the entire industry, compared to 1,989,000 a week ago. A month ago the rate was 101.3% and production yielded 2,025,000 tons; a year ago it stood at 73.7% of the old capacity and amounted to 1,404,900 tons.

Electric Output Recedes Further From Record High

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 24, 1951, was estimated 6,833,000,000 kwh., according to the Edison Electric Institute.

The current total was 72,223,000 kwh. lower than that of the previous week, 978,741,000 kwh., or 16.7% above the total output for the week ended Feb. 25, 1950, and 1,273,793,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Make Substantial Gains Following End of Rail Walk-Out

Loadings of revenue freight for the week ended Feb. 17, 1951, totaled 740,557 cars, according to the Association of American Railroads, representing an increase of 167,394 cars, or 29.2% above the preceding week when loadings were reduced by labor troubles.

The week's total represented an increase of 180,489 cars, or 32.2% above the corresponding week in 1950 when loadings were reduced by a general strike at bituminous coal mines, and an increase of 43,222 cars or 6.2% above the comparable period of 1949.

Auto Output Rivals Total of Peak Period of 1950

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 190,343 units, compared with the previous week's total of 177,867 (revised) units and 125,285 units a year ago.

Total output for the current week was made up of 149,128 cars and 31,975 trucks built in the United States and a total of 6,540 cars and 2,700 trucks built in Canada.

For the United States alone, total output was 181,103 units, the highest point for the year, against last week's revised total of 168,583 units, and in the like week of the last year 117,487. Canadian output in the week totaled 9,240 units compared with 9,284 units a week ago and 7,798 units a year ago.

Business Failures Continue Lower Trend in Holiday Week

Commercial and industrial failures declined in the holiday-shortened week ended Feb. 22 to 127 from 165 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level to date in 1951, casualties were 40% below the 210 in the comparable week of 1950 and 29% below the 1949 total of 180. Less than one-half as many concerns failed as in the similar week of prewar 1939 when 267 were recorded.

Casualties involving liabilities of $5,000 or more dipped to 98 from 118 last week and from 155 a year ago. Small failures, those with liabilities under $5,000, declined to 29 from 47 last week and 55 last year.

A marked decline in mortality in the holiday week occurred in all industry and trade groups except wholesaling and construction where failures remained unchanged at 16 and 14, respectively. Manufacturing casualties fell to 21, their lowest number in any week since 1948.

Wholesale Food Price Index Falls Less Than 1% Short of All-Time High

Although individual price movements were irregular last week, the long uptrend in the general level of food prices continued unabated. The wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced another 6 cents to stand at $7.31 on Feb. 20, from $7.25 the week before. This was less than 1% below the all-time high of $7.36 recorded on July 13, 1948, and represented a gain of 22.7% above the pre-Korea level of $5.96 on June 20, 1950. The latest figure compared with $5.83 a year ago, or a rise of 25.4%.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Registers Slight Decline

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered a slight drop last week after touching a new all-time high last Saturday. The index closed at 327.96 on Feb. 20, comparing with 329.38 a week earlier, and with 249.48 on the corresponding date last year.

Prices of leading grains displayed further strength in the week. Spurred by talk of ceilings, sales of grain futures on the Chicago Board of Trade rose sharply to a daily average of 37,600,000 bushels during the week, the highest for several years. This contrasted with a daily average of 33,000,000 bushels the previous week, and 21,400,000 in the like week a year ago.

All deliveries of wheat, corn, rye and oats sold at new high prices since 1948.

Cash gains were also higher and showed relatively more strength than futures. Milling demand for wheat was quite active but there was a lack of export demand due to the withdrawal of the export subsidy by the Department of Agriculture. Market receipts of wheat increased somewhat. There was a good demand for corn for both export and domestic account. Aggressive demand for the cash article toward the close of the week sent prices up sharply and resulted in a marked increase in country offerings. Activity in oats broadened considerably and prices moved steadily upward most of the week.

Trading in cotton futures markets was suspended for the third successive week, while business in spot markets was practically nil. Mill inquiries were more numerous but offerings were scarce. Demand for export continued in good valume.

Trading in cotton textiles was on a very limited basis as most mills remained out of the market pending further developments as to price control action.

Activity in the country's raw wool markets remained dormant last week as dealers continued to await clarification of the government price control order. Foreign wool auctions were featured by keen competition at rising prices. Imports of apparel wool at Boston, New York, and Philadelphia in the week ended Feb. 9 increased sharply to 8,148,600 clean pounds, from 5,952,200 the week previous.

Trade Volume Rises Markedly Above 1950 With An Increase in Seasonal Buying

Consumer spending throughout the country rose somewhat during the period ended on Wednesday of last week with aggregate dollar volume for retail trade markedly above the level for the comparable period last year, according to Dun & Bradstreet, Inc. While both dollar and unit volume was increased, there were fewer indications of anticipatory buying than in the prior week, as the interest of shoppers generally returned to the usual seasonal items.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 12 to 16% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and Northwest +10 to +14; East +12 to +16; South +14 to +18; Midwest and Pacific Coast +11 to +15; and Southwest +13 to +17.

There was a general levelling off of wholesale buying in the week with aggregate dollar volume considerably above the level for the comparable week in 1950. The number of buyers in attendance at many wholesale centers declined very slightly, but was about even with that of a year earlier.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 17, 1951, advanced 17% from the like period of last year. This compared with an increase of 15% in the previous week and 15% for the four weeks ended Feb. 17, 1951. For the year to date department store sales registered an advance of 23%.

Retail trade in New York the past week reflected a strong consumer demand, lifting sales volume close to 25% above the like week of 1950.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of Feb. 17, 1951, advanced 24% from the like period of last year. In the preceding week an increase of 18% (revised) was registered above the similar week of 1950. For the four weeks ended Feb. 17, 1951, an increase of 17% was recorded over that of a year ago, and for the year to date, volume advanced 22% from the like period of last year.

COMING EVENTS

In Investment Field

March 7, 1951 (Boston, Mass.)
Boston Investment Club Dinner Meeting at 5:30 p.m. at the Boston Yacht Club.

March 9, 1951 (Toronto, Ont., Canada)
Toronto Bond Traders Association Eighteenth Annual Dinner at the King Edward Hotel.

March 14, 1951 (New York City)
Bond Club of New York Annual Dinner at the Starlight Roof, Waldorf-Astoria.

April 13, 1951 (New York City)
Security Traders Association of New York Annual Dinner at the Waldorf-Astoria Hotel.

May 30, 1951 (Dallas, Tex.)
Dallas Bond Club annual Memorial Day outing.

June 11-14, 1951 (Jasper Park, Canada)
Investment Dealers Association of Canada Convention at Jasper Park Lodge.

June 15, 1951 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland, Pa.

June 22-24, 1951 (Minneapolis, Minn.)
Twin City Security Traders Association Annual Outing ("Operation Fishbite") at Gull Lake.

Sept. 30, 1951 (Coronado Beach, Calif.)
National Security Traders Association Convention opens at Coronado Hotel.

Oct. 12, 1951 (Dallas, Tex.)
Dallas Bond Club annual Columbus Day outing.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Harry Faath, Jr., Is With Aubrey Lanston

Harry W. Faath, Jr., has become associated with Aubrey G. Lanston & Co., Incorporated, 15 Broad Street, New York City, in the firm's municipal bond department. Mr. Faath was formerly with G. C. Haas & Co. During World War II, he served as a Captain in the U. S. Marine Corps.

William Spanier Joins Leason & Co., Inc.

(Special to The Financial Chronicle)

CHICAGO, Ill. — William A. Spanier has become associated with Leason & Co., Inc., 39 South La Salle Street. Mr. Spanier, who has recently been with Disticraft, Inc., was formerly president of Bennett, Spanier & Co., Inc.

J. N. Black Is With Otis in Cleveland

(Special to The Financial Chronicle)

CLEVELAND, Ohio—J. Nelson Black has become associated with Otis & Co., Terminal Tower. In the past he was a partner in Syle & Co., New York City.

Joins Louis C. McClure

(Special to The Financial Chronicle)

TAMPA, Fla.—Merlyn L. Clabby is with Louis C. McClure, 308 Tampa Street.

Continued from page 3

"European Attitude on Our Foreign Situation"

the United States its first consideration.

* * *

J. R. MILLAR

President, National Automotive Fibres, Inc., Detroit 5, Mich.

I think possibly Mr. Weir's position is well taken.

I have said repeatedly that we always have been a better friend to China than has Russia. Had we used our heads, instead of having the Chinese on Russia's side, we could have had them fighting for our boys; we could have hired all the war lords in China for say $50,000 each per year and let them build up an army of possibly 10 million men, to be paid $1.00 per month each, which is more than a Chinaman ever gets, and then instead of burning our potatoes—as we did, storing our wheat and butter to become rancid, we could have supplied these Chinese troops with these foodstuffs. It is my opinion, however, that our so-called diplomats in Washington didn't use their heads.

* * *

DUNCAN W. FRASER

Chairman of the Board, American Locomotive Company, New York 8, N. Y.

Mr. Weir's points are well made and I am in general agreement with them.

* * *

R. L. FOWLER

Chairman of the Board, Florence Stove Company, Chicago, Ill.

It seems to me that Mr. Weir has developed his views through those who are closer to the picture than we here can be and I am inclined to agree with them in their entirety.

* * *

LEWIS A. SHEA

President, The First National Bank and Trust Company, Bridgeport, Conn.

I have read the article with interest and do agree with Mr. Weir on his views in the situation.

* * *

EDWARD F. BROWN

Assistant to the President, National Dairy Products Corp., New York 17, N. Y.

Mr. Weir has expressed a point of view more widely held than is believed and it is a sound one deserving of much wider discussion and belief.

* * *

ALDEN A. POTTER

Bethesda 14, Md.

Let's hope our government will never return to the naivete of reliance on treaties with the Kremlin to establish peace in a world half slave and half free, which Mr. Weir seems to have fallen for. His European friends are plainly motivated, in thus trying to stave off a reckoning with communism, by their coddling of its socialistic basis and consequent belief that communism can only be contained by war such as has devastated Korea. They are wrong on two counts:

(1) Communism cannot be abrogated by war; but it can be defeated ideologically by eliminating socialistic "ideals" among the Western nations who cannot otherwise be "natural allies" in opposing communism.

(2) The terrible destruction in Korea would recur in Europe only if the "United" Nations intervenes in the same way to limit action to "policing" local aggression by infantry and tanks with no strategic bombing of distant supply centers.

Pursuing the Taft program would make a no man's land of Western Europe which would not be so likely to be bombed as American cities, just as Soviet satellites are less likely targets than Russian production centers.

Korean experience might, indeed, afford some hesitation to satellites contemplating some invasion, say of Greece, lest bombing be centered on the aggressor. The peaceful, and therefore useful, acquisition of the Ruhr by Russia can happen only if we let our "natural allies" decree such a result somewhat as they seem to want to surrender Formosa to Chinese communists.

* * *

GEORGE AVERY WHITE

President, State Mutual Life Assurance Co., Worcester, Mass.

I have read with a great deal of interest Mr. Weir's article entitled, "European Attitude on Our Foreign Situation."

Certainly my observations when I was in Europe last September coincide very largely with his. We have developed a war hysteria emanating from Washington and extending along the eastern seaboard which is not apparent in the central part of the United States and is non-existent in Europe. However, I share the feeling that we must prepare to meet any eventuality, although I wish it could be done on a less hysterical basis.

* * *

JOHN E. REYNOLDS

Furfelderstrasse 32

Riehen (Basel-Stadt) Switzerland

Mr. Weir's report on European attitudes towards American foreign policy ("Chronicle," Jan. 18, 1951) strikes me as substantially accurate and well-stated. Though mainly concerned with Asiatic issues, he might also have noted two sources of European dissatisfaction with American policy towards Europe itself.

First, it is widely felt that the United States has badly mismanaged the question of German rearmament. The idea was sprung upon our unsuspecting allies, apparently without much preparation even within our own State Department. It arouses deeprooted French fears, on the one hand, and Russian fears on the other, and is hence a Godsend to the Kremlin propagandists. It encounters real opposition in a new German pacifistic apathy. It has given the German Goverment immense new bargaining power, disrupting the Schuman Plan negotiations, among others, and placing the United States in the unbecoming role of sycophant to Germany. And all this confusion is risked for no apparent practical gain. Significant German contingents could not in any case be formed and equipped for over a year, perhaps two. No one here doubts that Western Europe needs Western Germany on its side if trouble comes. But our approach strikes them as particularly dimbrained. The present hope is that the whole question can be sidetracked for a time in committee while the real business of strengthening the alliance proceeds.

Secondly, Europeans are stung and bewildered not only by the capricious and emotional quality of the American debate on foreign policy, but also by what seems to them a certain lack of morals. After all, we did sign the North Atlantic Pact. Most Americans know that we will stand by that commitment in the end, and are debating only the means. But Europeans get the impression that even the fundamentals of American policies and contracts are vulnerable to domestic political caprice and forgetfulness.

Mr. Weir might well have stressed that the Western European nations are genuinely determined to cleave to their alliance with the United States. They have no choice, and they know it. Americans make a great mistake to doubt this. It is, indeed, *because* these countries must go along with the United States that their criticisms are so deeply felt, and sometimes bitterly expressed. As members of a partnership for life, they are alarmed to see in the dominant partner so much emotional immaturity, and such high unrealism as that of those who still see in Chiang Kai-shek the savior of Asia, or of those noisy few who are confident that a few well-aimed atom bombs would tidy up the world with a minimum of fuss and bother.

They do not expect complete agreement on all details. They do ask for a consistent American policy, arrived at not only after more mature and responsible debate at home than we have yet seen, but also after sympathetic consultation with our European partners. If we bluster, blunder, and haggle, they must haggle back for their very lives. If instead, we offer mature and cooperative leadership, we can release enormous latent enthusiasms in support of our common program for strength as a means to peace and freedom.

* * *

Gyrodyne Stk. Offered

The Gyrodyne Co. of America, Inc., with offices in New York, and Jackson & Co., Inc., of Boston, are offering "as a speculation" 42,800 shares of Gyrodyne class A common stock (par $1) at $3 per share.

The purpose of this issue is to provide funds for financing of military contracts, if received, and for the immediate acquirement of manufacturing facilities more satisfactory than those presently used by the Gyrodyne company.

The Gyrodyne company plans to continue the experimental development of the "Helidyne," the testing of the "GCA Rotor System" and the flight testing of the "GCA Coaxial" with present funds of the company.

The company, incorporated in New York on Aug. 7, 1946, was organized to design and develop rotary-winged aircraft, with emphasis on the development of high-speed types.

Aspinook Shares Placed

J. G. White & Co. Inc., it was announced on Feb. 27, has negotiated the private sale of 599,808 shares of common stock (par $1) of the Aspinook Corp., at an undisclosed price. None of the proceeds will accrue to the corporation.

It had earlier been announced that the estate of Bernard R. Armour had sold its controlling interest in Aspinook Corp. to a syndicate headed by M. N. and H. J. Sobiloff.

Schiff Director

John M. Schiff has been elected a member of the board of directors of Tide Water Associated Oil Company, according to announcement released by President William F. Humphrey. Mr. Schiff is a partner of Kuhn, Loeb & Co., investment bankers. He is a director of Los Angeles & Salt Lake Railroad, Western Electric Corp., C. I. T. Financial Corp., and a trustee of the Bowery Savings Bank and the Providence Loan Society.

Continued from page 6

Wage-Price Policy and Inflation

The ability of the banks to expand credit has been aided by the increase of $1.5 billion in member bank reserve balances due primarily to the increase in purchases of government bonds by the Federal Reserve System. In fact, estimated excess reserves increased from $436 million in June, 1950, to $1,181 million in December, 1950. This is certainly not an environment in which the banks would be expected to curtail credit. In large measure, this situation reflected the Federal Reserve Banks' support of the government bond market. This, in turn, is tied in with the recent controversy concerning the level of interest rates between the Treasury and the Federal Reserve Banks. The insistence of the Treasury upon maintaining the present level of interest rates in the face of the substantial increase in inflationary pressures, deprives the government of one of its historic instruments in the battle against inflation. It is interesting to note that while we insist upon no change in the level of interest rates, the British have recently permitted interest rates to rise in an effort to stimulate savings.

The maintenance of the interest rate has acted to hamstring the Federal Reserve in its use of open market operations as a device to contract the credit base. If the Treasury continues to insist upon the maintenance of the present level of interest rates — a policy with which most economists disagree — new powers to control credit should be granted to the Federal Reserve system. I have in mind particularly, an increase in permitted reserve requirements above the levels now permitted by law. The failure of the government to take active steps to limit the expansion of total bank credit, is one of the big gaps in our anti-inflation program today — particularly in light of the fact that the inflation has been taking place in this sector of the economy.

The Wage-Price Freeze

The imposition of a general price and wage freeze did not represent the proper way to meet the inflation problem. The Office of Price Stabilization was not staffed adequately to do the job. Price control with inadequate personnel is futile. There must be a sufficiently large staff to handle complaints promptly if price control is to have any chance for success. But the inadequacies of price control are more fundamental than a question of staff. In the first place, the limitations upon the control of farm prices creates an enormous gap on the price control front. The provisions of the Defense Production Act concerning farm prices should be repealed. Food accounts for approximately 40% of the cost of living. At the present time the Office of Price Stabliization is unable to fix the prices of many important food products because of limitations enacted by Congress. The rise in food prices contributes to a rise in living costs, and that in turn, contributes to wage increases where escalator clauses are in effect. As a result of distortions created in the wage structure, these increases spread quickly to companies which do not have escalator clauses in their collective bargaining contracts.

But there is another and very important aspect of this food price problem. Farmers buy food products and other farm products. As agricultural prices rise, the index of goods that farmers buy also rises and the permissible level below which farm products cannot be fixed is also increased. Thus, wage escalator clauses and the farm parity program are twin engines of price inflation. Food price increases raise living costs, which in turn increases wages. Higher wages lead to higher prices for many items which farmers buy. This increase combined with the higher farm prices raises the parity price for farm products. A new rise is then possible for farm products with a repetition of the cycle I have just described.

To the extent that the Office of Price Stabilization permits increases in prices because of increases in costs, these forces are accentuated. That is the effect of the proposed regulation to substitute margin control for price control at the retail level. May I note that such margin control is the only feasible way to control retail prices. Nevertheless, it does contribute to the price rise when these other forces are at work.

However, there are additional factors which make price control an undesirable method for attacking this problem of inflation. Price control deals with the results, not with the causes of inflation. Even under the most favorable circumstances, price control presents almost insuperable problems. This was well demonstrated in World War II.

World War II Price Experience

It is useful to review briefly what happened under wage and price control during World War II. The rise in prices after the termination of hostilities has left many people with a nostalgic recollection of prices which attained a stability in their memories such as was never attained in real life. Similarly, the constant complaints about wage stabilization by various labor leaders leaves a misimpression as to what did happen during World War II. Table VI shows the consumers' price index and three important components for selected dates after May, 1942, when the general maximum price regulation was put into effect.

An examination of the overall index shows that in the year following the introduction of the general maximum price regulation, there was an increase from 116.0 to 125.1, or a rise of about 8%. From May 1943, when the hold-the-line order became effective, until the end of the war, the consumers' price index rose only 4.2 points, or a little more than 3%. On the basis of these reported data, it appears as though the overall rise from May 1942, until August 1945, was only about 11.5%.

It will be recalled, however, that the official index understated the actual rise in prices by several points. Thus, the President's Cost of Living Committee found that the understatement was between 3 and 4 points in the middle of 1944. Subsequently, the stabilization director found that as of September 1945, the understatement had been increased to 5 points. This understatement developed because of the disappearance of low priced items, the deterioration

TABLE VI

(1935-39=100)

	Total	Food	Clothing	House-furnishings
May, 1942	116.0	121.6	126.2	122.2
September, 1942	117.8	126.6	125.8	123.6
May, 1943	125.1	143.0	127.9	125.1
May, 1944	125.1	135.5	137.4	135.0
August, 1945	129.3	140.9	146.4	146.0

of quality, and the black market prices which were not fully reflected in the official index. Inclusive of the 5 points, the rise from May 1942 to August 1945, becomes 18.8 points, or an overall rise of about 15%.

There was a marked difference in the success in stabilizing food prices as contrasted with that achieved for housefurnishings and clothing. The success in food price stabilization reflected the payment of large subsidies to hold down food prices. By the end of the war, total food subsidies were being paid at the annual rate of approximately $1.8 billion. Four-fifths of this total was accounted for by four programs: meat, dairy production, flour, and butter[1].

The Office of Price Administration estimated that as of January 1945, when the food subsidy program had not yet reached its peak of spending, the program had held down the price of food by 9.2%, and the overall index by 3.7%. To state it differently, in the absence of the food subsidy program, the food index would have been 14 points higher, or 155, while the total consumers' price index would have raised 4.8 points to 139.1 (inclusive of the 5 point understatement). Thus, in the absence of the food subsidy program, the overall rise in consumers' prices from May 1942 until the end of the war, would have been at least 20%.

It is particularly instructive to note what happened to housefurnishings and clothing prices. From May 1942 to August 1945, housefurnishings prices rose by 20%, while clothing prices rose by almost 15% despite the extensive controls adopted. It should be emphasized that these reported rises understated the actual increase because these were the areas where quality deterioration and disappearance of the low priced lines were most important.

There is one other aspect of the price rise which must be underlined. During the postwar period, a sharp rise in prices developed. While many reasons have been offered to explain this price rise, it represented primarily the deferred impact of the inflation in money supply which was created during World War II, the full impact of which was not reflected in prices because of the various controls adopted. From the end of the war until August 1948, the official index rose from 129.3 to 174.5. As I have noted earlier, about ten points of this rise reflected the postwar elimination of subsidies and the reflection in the index of the various factors which contributed to the five point understatement during the war years. To a large extent, the balance of the rise from 139.1 to 174.5 reflected the deferred impact of the wartime inflation. This interpretation was accepted by President Truman in his tax message of Feb. 2, 1951. In that message he pointed out:

"During World War II, taxes were not high enough, and the Government was forced to borrow too much. As a result, when controls were taken off after the war, prices skyrocketed and we paid in inflation for our failure to tax enough. The value of people's savings was cut down by the higher prices they had to pay."

In other words, our failure to finance the war to a greater degree through taxes, resulted in pressures which ultimately raised the cost of living by more than 70%.

In summary, despite all of the moral and social pressures attending an all out war effort, prices continued to rise after the imposition of the general price freeze in May, 1942. It must be emphasized that this price rise took place even though there were controls over wage rates, and despite the rationing programs and other controls which were in effect. At the present time, we are not engaged in an all out war effort, and hence the moral and social pressures present during periods of war do not play a major role. Moreover, there is as yet no sign that Congress would or should authorize extensive subsidy programs to hold down prices. In light of this history, and in light of the various pressures which will be at work, it is easy to understand why one should not be too optimistic concerning the effectiveness of the general price freeze introduced by the Office of Price Stabilization as of the period Dec. 19, 1950 to Jan. 25, 1951.

1 Jules Backman, *Experience with Wartime Subsidies*, Citizens National Committee, Inc., October 1945, pp. 10-12.

Wage Stabilization

Wages were frozen together with prices as required under the Defense Production Act. The freezing of wages as of any particular date is bound to create a number of inequities, particularly during a broad wage movement. As is well known, a so-called fifth round of wage increases has been underway since the middle of last year. Because of varying contract termination dates, however, all workers have not yet been able to obtain new wage increases. Other workers have contracts agreed upon during the summer and early fall, which did not provide increases as large as those negotiated late in 1950 and early this year. Some workers (about 1,700,000) have protection against rises in living costs while others do not. Some workers (about 1,500,000) have contracts which provide for future increases in wages as far ahead as 1954, under the recently adopted annual improvement factor. Under these circumstances, a thawing of the freeze was essential to permit the elimination of the various inequities which inevitably developed.

It is useful to review briefly the World War II experience as background for the decisions now being made.

World War II Wage Experience

During World War II, wage stabilization was built primarily around the so-called Little Steel Formula. Under the Little Steel Formula, **wage rates** were permitted to rise 15% above the level prevailing in January 1941. Let me emphasize that rises of this magnitude were restricted to **wage rates.** Monthly data are not available to measure the increase in basic wage rates up to the end of the war. However, the National War Labor Board estimated that from January 1941 to October 1944, there was a minimum increase of 20% in wage rates. Wage rates do not measure the increases in labor income. These are better indicated by straight time hourly earnings, gross hourly earnings, or weekly earnings. The changes in these figures for manufacturing industries are shown in Table VII.

TABLE VII

	January, 1941	May, 1945	% Increase
Straight time hourly earnings	66.4¢	97.7¢	47.0
Average hourly earnings	68.3¢	104.3¢	49.8
Weekly earnings	$26.64	$46.03	72.8
Average weekly hours	39.0	44.1	---

Straight time hourly earnings, which is exclusive of overtime, rose by 47%, or more than twice as much as the increase in basic wage rates. Average hourly earnings, inclusive of overtime, increased almost 50%. These larger increases in straight time earnings, combined with an increase of five hours in the average length of the work week, resulted in an increase of 72.8% in weekly earnings, or a gain 3½ times as large as the rise in basic wage rates. It is clear from these data that wage control during World War II did not hold hourly and weekly earnings down as might be implied from the frequent references to the Little Steel Formula. Such earnings rose as a result of several factors, including the introduction of shift differentials, the shift of workers to higher paying industries, the operation of incentive schemes, the increase in the length of the work week, elimination of intraplant inequities, and related developments.

The increases described do not indicate the full extent of the gains beyond those permitted by the Little Steel Formula. World War II was the period when fringe adjustments were developed on a large scale. I still recall the interesting title given to an editorial in the New York "World Telegram" when it talked about "The Little Steel Formula with the Fringe on the Top." You will recall that this was a take-off on the well-known hit from "Oklahoma," "The Surrey with the Fringe on Top." Among the type of fringe adjustments which were utilized to circumvent the restrictions of the Little Steel Formula, the following may be noted: improvements in vacation plans (one week for one year and two weeks for five years became standard); pay for holidays; portal-to-portal pay; introduction of pension and social welfare plans by many companies; free meals and other payments in kind, etc. Of course, all of these gains contributed to labor costs and remained in effect after the war was ended.

Regardless of what wage stabilization program finally emerges, it seems clear that many factors which resulted in greater increases in hourly and weekly earnings than in basic wage rates will once more be important. Thus, for example, the average length of the work week for manufacturing industries already has increased from less than 40 hours a week in the first half of 1950, to 41.6 in December 1950. Further increases seem probable with the consequent leavening effect they will have upon gross hourly and weekly earnings. Similarly, shifts to higher wage industries and other influences at work in World War II, are once more emerging. Thus, regardless of what the Wage Stabilization Board does, weekly earnings seem destined to move higher. It is clear from this discussion that wage stabilization does not mean a freezing of wage increases.

The key problems facing the Wage Stabilization Board have been (1) how much of an overall increase should be allowed to permit laggards to catch up, (2) what should be done about existing contracts with cost of living escalator clauses, or (3) with annual improvement factors, and (4) how should fringe adjustments be treated under (1).

The Board answered questions 1, 2 and 3 by recommending increases of 10% in **straight time hourly earnings** over the level prevailing in January, 1950. It answered the problem of fringe adjustments by not counting them as part of the 10% for contracts negotiated prior to the wage freeze, but including them in the 10% where they are adopted in the future. I should like to discuss each of these questions briefly.

The 10% catch up formula is about equal to the largest increase in wages granted in the fifth round—namely, the coal wage increase. How does this increase compare with the rise in living costs? From January, 1950 to January, 1951, the consumers' price index rose by about 8%. However, this type of comparison is not very significant as a measure of changes in workers' economic well being. In January, 1950, the consumers' price index was near the low point for the post 1948 decline (low 166.5 in February as compared with 166.9 in January). To measure changes in living costs from January, 1950, is to ignore the decline which took place after the last general wage increases were negotiated in the summer of 1948, when the consumers' price index averaged about 174.0. In January, 1951, the level of living costs was about 4% higher than at the time of the 1948 general wage increases. An increase of 10% in straight time earnings, therefore, means a significant rise in real earnings for many workers even before considering the higher incomes resulting from the increasing amount of overtime.

Moreover, the Wage Stabilization Board promised to review this "catch up formula" on the basis of the change in living costs from January to April, 1951. This is practically an implied promise to adjust the wage formula upward if further rises take place in the consumers' price index.

Up to this point, the catch up formula is liberal enough to provide little challenge to the operation of cost of living escalator clauses or to provisions for annual improvement factors. What should be our policy toward such clauses?

Cost of living escalator clauses contribute significantly to the wage-price spiral. It does not mean very much to point out that relatively few contracts contain such clauses. The point is that they are used widely in the highly important automobile industry and are in effect or have been offered to railroad workers. Clearly, wages could not rise sharply in these two vital areas without spreading quickly to other industries — even though they have not cost of living clauses. These clauses, therefore, make a mockery of wage stabilization and hence should be invalidated for the emergency.

The annual improvement wage increases are designed to enable workers to share in the gains in productivity and enlarging supply of goods that characterize our peacetime economy. But a defense and war economy will be accompanied by a decline in civilian supplies. Under these circumstances, a general rise in levels of living cannot take place. If any group improves its position, it can only be at the expense of other groups—the same fixed income groups who experienced so sharp a cut in their living standards during the inflation of the past decade. The basic premise upon which the annual improvement in wages is predicated, disappears in a defense economy. Effective wage stabilization requires that such provisions become inoperative during the emergency.

The suspension of the cost of living and annual improvement clauses would not mean that wage incomes will remain unchanged. More jobs in war industries with higher wages and increases in the length of the work week will add to labor incomes and create large pressures for price rises. Cost of living increases and annual improvement factors will only aggravate these pressures. Their use in key sectors of the economy necessarily will mean that other workers will insist upon equal or similar treatment. The result would be a complete breakdown of any wage stabilization program. When automobile workers receive wage increases, it cannot be expected that rubber workers will be content to have their wages frozen.

In summary, control of wages and prices does not mean that they will not rise further. The basic methods of attacking inflation must be through fiscal and monetary measures. Limitations upon general credit expansion, taxes which restrain consumption, and a pay as we go fiscal policy, are the indispensable foundations for an anti-inflation program. Price control deals with the effects, not the basic causes of inflation, and hence will not be too effective in the absence of these basic controls. Wage control limits only one of the forces which add to rising labor incomes and hence can only contribute in a modest way to restraining an expansion in mass purchasing power. Both wage and price ceilings are subject to irresistible pressures in a political environment in which the proper monetary and fiscal measures are not placed in effect promptly.

With Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William A. McCarthy is with Richard J. Buck & Co., 8 Newbury Street. He was formerly with Whitney & Elwell.

Joins Eaton & Howard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter D. Silcox has joined the staff of Eaton & Howard, Inc., 24 Federal Street.

With Inv. Research Corp.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald F. Thayer has become affiliated with Investment Research Corp., 53 State Street. He was formerly with J. Arthur Warner & Co.

With Halbert, Hargrove

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Jonathan H. Sprague is now with Halbert, Hargrove & Co., 115 Pine Avenue.

San Fran. Exch. Member

SAN FRANCISCO, Calif.—The election of Leslie J. Howard, Jr., to regular membership in the San Francisco Stock Exchange, was announced by Ronald E. Kaehler, President. Mr. Howard, who became a general partner in the firm of Hooker & Fay, acquired the membership by transfer from Charles W. Fay, Jr.

The other partners of the firm of Hooker & Fay are: John R. Hooker, Charles W. Fay, Jr. and John S. Logan.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Trailmobile Co.—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Mrs. Tucker's Foods, Inc.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas.

Vacuum Concrete Corporation—Analysis—Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Wisconsin Power and Light Company—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Younker Brothers, Inc.—Memorandum—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For further development of mine and for working capital.

Alliance Tire & Rubber Co., Ltd. (3/2)
Feb. 1 filed 28,770 shares of class A common stock (par five Israeli pounds). **Price**—$50.40 per share (to be offered as a speculation). **Underwriter**—None. **Proceeds**—To construct and equip a modern tire and rubber plant in the State of Israel **Business**—Plans manufacture of tires and other rubber products. **Offering**—To be made through private channels.

Allied Laboratories, Inc. (3/13)
Feb. 19 filed 50,000 shares of common stock (no par). **Price**—To be related to the market price for the outstanding shares on the Midwest Stock Exchange. **Underwriter**—Goldman, Sachs & Co., New York. **Proceeds**—For expansion program and working capital. **Meeting**—Stockholders will vote March 13 on authorizing 100,000 additional shares of common stock.

• **American Business Shares, Inc., N. Y.**
Feb. 26 filed 2,000,000 shares of capital stock. **Price**—At the market. **Underwriter**—Lord, Abbett & Co., New York. **Proceeds**—For investment.

American Dairy Products Corp., N. Y. (3/12)
Feb. 16 filed 300,000 shares of preferred stock (par $4) and 300,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one share of common stock. **Price**—$5 per unit. **Underwriters**—Emanuel, Deetjen & Co. and Barrett Herrick & Co., Inc., both of New York. **Proceeds**—To acquire plant, to pay indebtedness and for working capital.

• **American Gas & Electric Co. (3/29)**
Feb. 28 filed 339,832 shares of common stock (par $10), to be offered to common stockholders on or about March 30, 1951, on the basis of one share for each 15 shares held, together with an oversubscription privilege; rights to expire April 17. **Price**—To be supplied by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Union Securities Corp.; Dillon, Read & Co. Inc.; with bidders to name compensation following company's naming of price. **Proceeds**—To be invested in equity securities of operating subsidiaries as part of the System's plan for financing its large construction program. **Bids**—Expected to be received on March 29.

• **American Hospital Supply Co., Evanston, Ill.**
Feb. 28 filed 175,000 shares of common stock (par $4), of which 150,000 shares are to be offered to public through underwriters and 25,000 shares to employees. **Price**—To be supplied by amendment. **Underwriters**—Harris, Hall & Co., Inc., and Union Securities Corp. **Proceeds**—For expansion and general corporate purposes. **Business**—Hospital equipment.

American Research & Development Corp., Boston, Mass.
Feb. 1 filed 106,420 shares of common stock (par $1). **Price**—$25 per share. **Underwriters**—None, but subscriptions may be obtained by Estabrook & Co., Harriman Ripley & Co., Inc. and Clark, Dodge & Co., New York, and other members of the NASD. **Proceeds**—To make investments in certain enterprises.

American Telephone & Telegraph Co.
Jan. 18 filed not exceeding $420,000,000 12-year 3⅜% convertible debentures due March 19, 1963 (amount expected to be in excess of $410,000,000) being offered to stockholders of record Jan. 29, 1951 on basis of $100 of debentures for each seven shares of stock held; rights to expire on March 19, 1951. The debentures will be convertible into capital stock beginning June 1, 1951, at $138 per share, payable by surrender of $100 of debentures and payment of $38 in cash. **Price**—At 100% of principal amount. **Underwriter**—None. **Proceeds**—For advances to subsidiary and associated companies and for general corporate purposes. Statement effective Jan. 24.

Argo Oil Corp., Denver, Colo.
Dec. 18 (letter of notification) 5,750 shares of capital stock (par $5). **Price**—At the market (approximately $17.37½ per share). **Underwriter**—Carl H. Pforzheimer & Co., New York **Proceeds**—To A. E. Johnson, President, the selling stockholder. **Office**—1100 First National Bank Building, Denver, Colo.

Armco Steel Corp.
Jan. 30 filed a maximum of 884,000 shares of common stock (par $10) offered for subscription by common stockholders of record Feb. 26, 1951, on the basis of one share for each five shares held; rights to expire on March 14, 1951. **Price**—$41 per share. **Underwriters**—Smith, Barney & Co. and W. E. Hutton & Co. **Proceeds**—For expansion program and additional working capital.

• **Association for Promotion of Patented Articles, Inc., Reno, Nev.**
Feb. 20 (letter of notification) 500 shares of capital stock. **Price**—At $100 per share. **Underwriter**—Nevada Securities Co., Reno, Nev. **Proceeds**—For working capital.

Atlantic Oil Corp., Tulsa, Okla.
Nov. 13 (letter of notification) 48,046 shares of capital stock. **Price**—At par ($5 per share). **Underwriter**—Continental Corp., Tulsa, Okla. **Proceeds**—To purchase oil and gas properties.

B. & H. Incorporated, New Orleans, La.
Jan. 8 (letter of notification) 19,397 shares of 6% cumulative preferred stock (par $10) and 58,940 shares of common stock (par 50 cents) to be sold in units of one preferred and one common share. **Price**—$10.50 per unit and 50 cents per share for common stock. **Underwriter**—Woolfolk & Shober, Inc., New Orleans, La. **Proceeds**—For working capital. **Office**—513 Carondelet Bldg., New Orleans 12, La.

• **Bachmann Uxbridge Worsted Corp. (3/15)**
Feb. 21 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriters**—Kidder, Peabody & Co. and Bear Stearns & Co. **Proceeds**—To 11 selling stockholders.

Baldwin-Lima-Hamilton Corp.
Feb. 8 filed 486,312 shares of common stock (par $13) to be issued in exchange for 303,945 shares of Austin-Western Co. common stock on basis of 1⅗ shares of Baldwin for one Austin-Western share. **Underwriter**—None.

Borden Co. (3/7)
Feb. 15 filed $60,000,000 of 30-year 2¾% debentures due 1981. **Price**—To be supplied by amendment. **Underwriter**—Morgan Stanley & Co., New York. **Proceeds**—To retire $45,800,000 outstanding promissory notes and for general corporate purposes.

Brown Co., Berlin, N. H.
Jan. 25 filed 144,151 shares of $5 cumulative convertible preference stock (no par) and 144,151 shares of $3 cumulative second preference stock (no par), together with voting trust certificates representing the same, to be offered in exchange for 144,151 shares of $6 cumulative convertible preferred stock on basis of one share of each class of preference stock for each share of $6 preferred stock. **Underwriter**—None, but Georgeson & Co. will solicit exchanges. Statement effective Feb. 21.

• **Bullock Fund, Ltd., N. Y.**
Feb. 28 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

• **Bymart, Inc., New York**
Feb. 28 filed 5,000 shares of 5% cumulative preferred stock (par $100) and 50,000 shares of common stock (par $1) to be offered "as a speculation," in units of one share of preferred and 10 shares of common stock. **Price**—$200 per unit. **Underwriter**—None. **Proceeds**—to repay bank loans and purchase equipment. **Business**—Production and sale of "Tintair."

Canadian Breweries, Ltd.
Feb. 8 filed 61,220 shares of common stock (no par) to be offered in exchange for Brewing Corp. of America common stock on basis of two shares for each Brewing Corp. share held. **Underwriter**—None, but Georgeson & Co., New York, will solicit exchanges.

• **Carolina Power & Light Co.**
Feb. 28 filed 200,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Onderwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York; and R. S. Dickson & Co., Charlotte, N. C. **Proceeds**—For construction program.

Central Illinois Electric & Gas Co.
Jan. 29 filed 80,000 shares of common stock (par $15) offered to common stockholders at rate of one share for each seven shares held on Feb. 19, 1951, with an oversubscription privilege; rights to expire March 8. **Price**—$20 per share. **Dealer-Managers**—Stone & Webster Securities Corp. and Allen & Co., both of New York. **Proceeds**—For construction program.

• **Central Illinois Electric & Gas Co.**
Feb. 28 filed 25,000 shares of cumulative preferred stock, series C (par $100). **Price**—To be supplied by amendment. **Underwriter**—Stone & Webster Securities Corp., New York. **Proceeds**—For construction program. **Offering**—Tentatively expected about the middle of March.

Central Illinois Light Co.
Jan. 25 filed 100,000 shares of common stock (no par) being offered to common stockholders of record Feb. 13 at rate of one share for each eight shares held, with an oversubscription privilege subject to subscription rights of employees which expired on Feb. 28. Rights to stockholders to expire on March 2, 1951. **Price**—$32.25 per share. **Underwriters**—Union Securities Corp.; Lehman Brothers; White, Weld & Co.; and A. C. Allyn & Co., Inc. **Proceeds**—For expansion program. Statement effective Feb. 13.

Central Louisiana Electric Co., Inc.
Jan. 25 filed 250,297 shares of common stock (par $10) and 21,480 shares of 4.5% preferred stock (par $100), of which the preferred stock and 214,800 shares are to be offered in exchange for shares of common stock of Gulf Public Service Co., Inc., on basis of 4/10ths of a share of common and 1/25th of a share of preferred for each Gulf common share. The remaining 35,497 common shares are reserved for possible future issuance and sale by the company to holders of common stock then outstanding. **Underwriter**—None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock.

Chanslor & Lyon-Palace Corp., San Francisco
Feb. 6 (letter of notification) 11,111 shares of capital stock (par $5). **Price**—At market (estimated at $9 per share). **Underwriter**—Hooker & Fay, San Francisco, Calif. **Proceeds**—To six selling stockholders. **Office**—730 Polk Street, San Francisco, Calif.

Circle Wire & Cable Corp.
Nov. 27 filed 200,000 shares of common stock (par $5). **Price**—$14 per share. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To four selling stockholders.

• **Columbia Machinery & Engineering Corp., Hamilton, Ohio**
Feb. 16 (letter of notification) 3,300 shares of common stock (par 10 cents). **Price**—At the market (about $2.50 per share). **Underwriter** — None. **Proceeds**—To William F. Thompson, a director, and Helen B. Thompson, his wife, who are the two selling stockholders. **Office**—High and Fourth Sts., Hamilton, O.

Commonwealth Telephone Co. (3/7)
Feb. 20 (letter of notification) 10,000 shares of $5 cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York (joint managers); Robert W. Baird & Co.; The Milwaukee Co.; Loewi & Co.; Bingham, Sheldon & Co.; Marshall Co. **Proceeds**—For construction.

• **Consolidated Engineering Corp., Pasadena, California**
Feb. 15 (letter of notification) 115 shares of common stock (par $1), to be issued upon exercise of stock option by Paul W. Heasley upon payment of a total price of $500. **Proceeds**—For working capital.

Consolidated Textile Co., Inc., New York
Dec. 27 filed a maximum of 500,000 shares of capital stock (par 10 cents), to be offered in exchange for an unspecified number of shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares). **Exchange Rate** — To be supplied by amendment. **Underwriter**—None.

• **Consumers Power Co. (3/27)**
Feb. 23 filed $40,000,000 of first mortgage bonds, due 1981, with interest not exceeding 2⅞% and maturing not earlier than 1981. **Unlerwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). **Proceeds**—To redeem $5,300,000 of first mortgage bonds, to repay $8,000,000 of bank loans and for 1951 construction program. **Bids**—Expected to be opened at 11 a.m. (EST) on March 27.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

Cribben & Sexton Co., Chicago, Ill.
Feb. 5 (letter of notification) 1,000 shares of common stock (par $5). **Price**—$5.50 per share. **Underwriters**—David Noyes & Co. and Swift, Henke Co. of Chicago, Ill. **Proceeds**—To selling stockholder.

• **Crossett Lumber Co., Crossett, Ark.**
Feb. 16 (letter of notification) an unspecified number of shares of common stock (par $5) to raise approximately $300,000. **Price**—$21.50 per share. **Underwriter**—Equitable Securities Corp. of Nashville, Tenn. **Proceeds**—For working capital.

Culver Corp., Chicago, Ill.
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares are to be offered to stockholders and 127,364 shares to public. **Price** — To stockholders at $5 per share and to public at $6.25 per share. **Underwriter**—None. **Proceeds**—For investments.

Cutter Laboratories, Berkley, Calif. (3/14-15)
Feb. 16 filed 70,100 shares of common stock (par $1). **Price** — To be supplied by amendment. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds** — For expansion and other corporate purposes. **Business** — Distribution and sale of biologicals and pharmaceutical specialties.

• **Day Mines, Inc., Wallace, Ida.**
Feb. 21 (letter of notification) 58,425 shares of common stock (par 10 cents), of which 48,425 shares are to be publicly offered at $4 per share by the escrow agent, without underwriting, and the remaining 10,000 shares are to be issued in exchange for 10 patented mining claims in the Hunter Mining District.

Electronic Computer Corp., Brooklyn, N. Y.
Feb. 2 (letter of notification) 90,000 shares of class B non-voting common stock (par $1). **Price**—$3 per share. **Underwriters**—Pioneer Enterprises, Inc., Bluefield, W. Va., and G. H. Hecht of Washington 5, D. C. **Proceeds**—To provide working capital.

• **Federal Finance Corp., Tucson, Ariz.**
Feb. 19 (letter of notification) $300,000 of certificates of indebtedness issuable in two forms, viz (1) a book plan

investment certificate in amounts as the investor may desire (2) an installment investment certificate, assigned as collateral security for loans. **Underwriter** — None. **Proceeds**—For working capital to conduct a loan business. **Office**—225 West Congress St., Tucson, Ariz.

● **First Securities Corp., Philadelphia, Pa.**
Feb. 26 (letter of notification) 200,000 shares of capital stock (par 1 cent). **Price**—50 cents per share. **Underwriter**—Corporation itself. **Proceeds**—For working capital and expansion program. **Office**—1520 Locust Street, Philadelphia, Pa.

Fleetwood-Airflow, Inc., Wilkes-Barre, Pa.
Jan. 22 (letter of notification) 28,000 shares of common stock (par 50 cents). **Price**—At market (estimated at $1.25 per share). **Underwriter**—De Pasquale Co., New York, and J. Howard O'Connor, Pelham, N. Y. **Proceeds**—To selling stockholders.

● **General Telephone Corp. (3/20)**
Feb. 27 filed 225,000 shares of common stock (par $20). **Price** — To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; Mitchum, Tully & Co.; and others. **Proceeds**—To repay bank loans and for new construction.

● **Glen-Gery Shale Brick Corp.**
Feb. 20 (letter of notification) 8,850 shares of common stock (par 50 cents). **Price**—$4.25 per share. **Underwriter**—[illegible] Brooks & Co., Inc., New York. **Proceeds**—To two selling stockholders.

Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock (par $1). **Price** — To be filed by amendment. **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—For working capital and general corporate purposes. **Offering**—Deferred indefinitely.

● **Greenfield Tap & Die Corp.**
Feb. 15 (letter of notification) 3,000 shares of common stock (no par). **Price**—At the market, but not less than $23 per share. **Underwriter**—Tucker, Anthony & Co., New York. **Proceeds**—To a selling stockholder.

● **Investors Syndicate of America, Inc.**
Feb. 28 filed $22,000,000 of series 10, $106,000,000 of series 15 and $178,000,000 of series 20 investment certificates. **Underwriter**—Investors Diversified Services, Inc., Minneapolis, Minn.

Israel Steel Corp.
Jan. 2 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For corporate purposes and the purchase of merchandise (steel) for resale. **Office**—Care of Efrein & Metrick, 320 Broadway, New York, N. Y.

Jamaica Water Supply Co.
Feb. 7 (letter of notification) 4,545 shares of common stock (no par). **Price**—At market (estimated at $22 per share. **Underwriter**—Blyth & Co., Inc., New York, who has agreed to purchase said shares for resale to public. **Proceeds**—To selling stockholders.

● **Jerry Fairbanks, Inc., Hollywood, Calif.**
Feb. 16 (letter of notification) 193,000 shares of common stock. **Price**—$1.50 per share. **Underwriter**—D. Gleich Co., New York. **Proceeds**—For production of motion pictures for theatrical and television purposes and for working capital.

● **Jersey Central Power & Light Co. (3/27)**
Feb. 21 filed $1,500,000 first mortgage bonds due in 1981. **Underwriters**—To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Otis & Co., Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Glore, Forgan & Co. **Proceeds**—For expansion program. **Bids**—Tentatively scheduled to be received at noon (EST) on March 27.

● **Jersey Central Power & Light Co. (3/27)**
Feb. 21 filed 40,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders include Glore, Forgan & Co.: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Proceeds**—From sale of preferred, together with proceeds to be received from the sale of 350,000 additional common shares to General Public Utilities Corp., the parent, will be used for new construction. **Bids**—Tentatively scheduled to be received at noon (EST) March 27.

Kimberly-Clark Corp., Neenah, Wis. (3/6-7)
Feb. 15 filed 200,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—For expansion program.

Kingfisher Water Co., Kingfisher, Okla.
Dec. 27 (letter of notification) 250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For new construction. Offering has been deferred.

Kingsburg Cotton Oil Co.
Jan. 24 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—At market (about $4.25 per share). **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To Fewel & Co., the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Jan. 29 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—$4.25 per share. **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To John H. Dinkins, the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif.

NEW ISSUE CALENDAR

March 2, 1951
Alliance Tire & Rubber Co., Ltd.____Common

March 5, 1951
Lake Superior District Power Co. 11:30 a.m. (CST)____Bonds
Rotary Electric Steel Co.____Common

March 6, 1951
Kimberly Corp.____Common
Rhinelander Paper Co.____Common

March 7, 1951
Borden Co.____Debentures
Commonwealth Telephone Co.____Preferred
Transcontinental Gas Pipe Line Corp.____Preferred
West Penn Electric Co., 11 a.m. (EST)____Common

March 8, 1951
Quebec (Province of)____Debentures
Virginia Electric & Power Co.____Preferred

March 12, 1951
American Dairy Products Corp.__Preferred & Com.
Piedmont Natural Gas Co., Inc.____Common
Premier Distributors, Inc.____Preferred
Prospect Exploration, Ltd.____Common

March 13, 1951
Allied Laboratories, Inc.____Common

March 14, 1951
Cutter Laboratories____Common

March 15, 1951
Bachmann Uxbridge Worsted Corp.____Common

March 19, 1951
Bachmann Uxbridge Worsted Corp.____Common
Pacific Gas & Electric Co.____Common

March 20, 1951
General Telephone Corp.____Common
Illinois Central RR.____Equip. Trust Ctfs.
Middle South Utilities, Inc., 11 a.m. (EST)__Common
Oregon-Washington Telephone Co.__Pfd. & Com.
Pennsylvania Power Co.____Preferred

March 21, 1951
River Brand Rice Mills, Inc.____Common

March 24, 1951
Monongahela Power Co.____Bonds

March 27, 1951
Consumers Power Co., 11 a.m. (EST)____Bonds
Jersey Central Power & Light Co., noon (EST)____Bonds & Preferred

March 29, 1951
American Gas & Electric Co.____Common

April 2, 1951
Detroit Edison Co.____Common

April 3, 1951
Potomac Edison Co.____Bonds
Southern Co., 11:30 a.m. (EST)____Common

April 9, 1951
Public Service Co. of Oklahoma____Bonds

April 19, 1951
Illinois Central RR.____Equip. Trust Ctfs.

June 5, 1951
Georgia Power Co.____Bonds

July 17, 1951
Mississippi Power Co.____Preferred

September 11, 1951
Alabama Power Co.____Bonds

Kittanning Telephone Co., Kittanning, Pa.
Feb. 15 (letter of notification) 6,021 shares of capital stock (par $25) being offered, first to stockholders of record Feb. 24 at rate of 223/1000ths of a share for each share held; right to expire on March 31. Unsubscribed shares to be offered publicly. **Price**—$45 per share. **Underwriter** — None. **Proceeds** — To convert to dial equipment and for expansion program. **Offering**—Expected to be mailed on March 1. **Office**—208 Arch St., Kittanning, Pa.

Lake Superior District Power Co.
Feb. 5 filed 42,344 shares of common stock (par $20) now offered to common stockholders of record Feb. 16 on a one-for-five basis; rights to expire March 12. **Price**—$22.75 per share. **Underwriters**—Robert W. Baird & Co., Inc., Milwaukee, Wis. **Proceeds**—For new construction. Statement effective Feb. 23.

Lake Superior District Power Co. (3/5)
Feb. 5 filed $2,000,000 first mortgage bonds series D, due March 1, 1981. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Otis & Co.; Robert W. Baird & Co., Inc. **Proceeds**—For expansion program. **Bids**—To be received by company in Room 2154, 20 No. Wacker Drive, Chicago 6, Ill., up to 11:30 a.m. (CST) on March 5. Statement effective Feb. 23.

● **Leadville Lead Corp., Denver, Colo.**
Feb. 12 (letter of notification) 14,000 shares of common stock (par $1). **Price**—75 cents per share. **Underwriter**—None. **Proceeds**—For general business purposes. **Office**—500 Ernest & Crammer Bldg., Denver, Solo.

Lexa Oil Corp., Conrad, Mont.
Jan. 19 (letter of notification) 1,200,000 shares of common stock (par 1¢), to be offered initially to stockholders of record Jan. 19 on a one-for-two basis; rights to expire March 7. **Price**—25 cents per share to stockholders; 30 cents to public. **Underwriter**—Tellier & Co., New York. **Proceeds**—To drill wells and develop leases.

● **Lincoln Park Industries, Inc., Jamestown, N. Y.**
Feb. 14 (letter of notification) 44,500 shares of common stock (par $1). **Price**—$1.50 per share. **Undewriter**—Baker, Simonds & Co., Detroit, Mich. **Proceeds**—For additional working capital.

● **Lithium Corp. of America, Inc.**
Feb. 19 (letter of notification) 1,000 shares of common stock (par $1). **Price** — $6.75 per share. **Underwriter** — Riter & Co., Chicago, Ill. **Proceeds**—To Willis W. Osborne, the selling stockholder.

Maine Central RR.
Feb. 12 (letter of notification) 4,800 shares of common stock (par $100). **Price**—At market. **Underwriter**—Stillman, Maynard & Co., New York. **Proceeds**—To selling stockholder.

● **Maryland Credit Finance Corp., Easton, Md.**
Feb. 19 (letter of notification) 2,100 shares of 6% cumulative preferred stock (par $100). **Price**—$102.50 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—National Bank Bldg., Easton, Md.

Mercantile Acceptance Corp. of California
Dec. 4 (letter of notification) 5,000 shares of first preferred stock, 5% series. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. of San Francisco. **Proceeds**—For corporate purposes. **Office**—333 Montgomery Street, San Francisco, Calif.

● **Merritt-Chapman & Scott Corp.**
Feb. 20 (letter of notification) 2,500 shares of common stock (no par). **Price**—At market (approximately $26 per share). **Underwriter**—None. **Proceeds**—To James A. Burden, a director, who is the selling stockholder.

Metal Products Mfg. Co. Inc.
Feb. 12 (letter of notification) 25,000 shares of class A voting common stock (par $1). **Price**—$5 per share. **Underwriter**—James T. DeWitt & Co., Washington, D. C. **Proceeds**—For organizational expenses and working capital. **Office**—Wolfe and Jackson Sts., Fredericksburg, Va.

Mexican Gulf Sulphur Co.
Feb. 16 (letter of notification) 42,800 shares of common stock (par 10 cents). **Price**—At the market (estimated at $7 per share. **Proceeds**—To further develop company's properties and for general working capital.

● **Middle South Utilities, Inc. (3/20)**
Feb. 21 filed 450,000 shares of common stock (no par). **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. **Proceeds**—To invest $8,000,000 in additional common stock of Arkansas Power & Light Co., a subsidiary, and for new construction. **Bids**—Expected to be received up to 11 a.m. (EST) on March 20.

● **Morton Oil Co., Casper, Wyo.**
Feb. 21 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—60 cents per share. **Underwriter**—Lasser Bros., New York. **Proceeds**—To Gordon R. Kay, the selling stockholder.

Nash Finch Co., Minneapolis, Minn.
Jan. 11 (letter of notification) 12,137 shares of common stock (par $10). **Price**—At not exceeding $20 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office**—1750 Hennepin Ave., Minneapolis, Minn.

New Hampshire Electric Co.
Jan. 25 filed 15,000 shares of $4.50 cumulative preferred stock (par $100) and 140,000 shares of common stock (no par). Of the latter, 130,281 shares are to be offered for subscription by common stockholders of New England Gas & Electric Association (parent) at rate of one New Hampshire share for each 12 New England common shares held. **Underwriter**—To be determined by competition biddnig. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc. (latter for preferred only). **Proceeds**—To retire $2,425,000 of 2⅞% bonds and the remainder to retire 4½% preferred stock of New England.

Norden Laboratories, Lincoln, Neb.
Jan. 31 (letter of notification) 11,055 shares of capital stock to be offered first to stockholders of record about Feb. 10, 1951, on a one-for-two basis; rights will expire March 5; unsubscribed shares to be publicly offered. **Price**—$25 per share to stockholders, and $26.50 to public. **Underwriter**—Ellis, Holyoke & Co., Lincoln, Neb. **Proceeds**—For working capital and to produce anti-hog cholera serum and other pharmaceutical products. **Office**—227 North 9th Street, Lincoln, Neb.

Norris Oil Co., Bakersfield, Calif.
Feb. 7 (letter of notification) 1,000 shares of capital stock (par $1). **Price**—500 shares at $3.50 each and 500 at $4 each. **Underwriter**—E. F. Hutton & Co., Los Angeles, Calif. as to 500 shares. **Proceeds**—To A. W. Scott, a selling stockholder.

Continued on page 48

Continued from page 47

● **Oregon-Washington Telephone Co., Hood River, Oregon (3/20)**
Feb. 14 (letter of notification) 1,500 shares of 5% cumulative preferred stock (par $100) and 5,000 shares of common stock (no par). **Price**—$100 per share for the preferred and $22 for the common. **Underwriter**—Conrad, Bruce & Co., Portland, Ore. **Proceeds**—For construction work.

● **Pacific Gas & Electric Co. (3/19)**
Feb. 21 filed 1,419,562 additional shares of common stock (par $25) to common stockholders of record on March 13, 1951 on the basis of one share for each seven shares held; rights to expire on April 4, 1951. The subscription period is expected to open March 19. **Price**—To be supplied later. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—To be applied toward the cost of new construction, estimated to cost $130,000,000 in 1951.

Pact Gas Co., Cushing, Okla.
Jan. 8 (letter of notification) $50,000 of first mortgage serial 6% bonds due 1961-1971. **Price**—At 100%. **Underwriter**—R. J. Edwards, Inc., Oklahoma City, Okla. **Proceeds**—To retire certain capital stock and for construction. **Office**—212 East Broadway, Cushing, Okla.

Palestine Economic Corp., New York
Feb. 15 filed 200,000 shares of common stock (par $25). **Price**—$28 per share. **Underwriter**—None. **Proceeds**—For further development of Israel industry.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes.

● **Park-Ad Co., Chicago, Ill.**
Feb. 19 (letter of notification) 1,500 shares of preferred stock and 1,500 shares of common stock. **Price**—The preferred at $100 per share and the common at $1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—333 No. Michigan Ave., Chicago, Ill.

Pennsylvania Power Co. (3/20)
Feb. 16 filed 40,000 shares of preferred stock (par $100) to public. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); First Boston Corp.; and Blyth & Co., Inc. (jointly); Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—From sale of preferred stock, together with proceeds from sale to Ohio Edison Co., parent, of 40,000 additional common shares (par $30) for $1,200,000 cash, will be used to finance in part the company's construction program for 1951. **Bids**—Expected to be received up to 11 a.m. (EST) on March 20. **Additional Financing**—It is estimated an additional $7,000,000 of financing will be required before the end of 1952.

● **Pepsi-Cola Bottling Co. of Washington, D. C., Inc.**
Feb. 20 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Underwriter**—Ferris & Co., Washington, D. C. **Proceeds**—To go to Samuel Schwartzman, the selling stockholder.

Piasecki Helicopter Corp., Morton, Pa.
Feb. 2 (letter of notification) not to exceed 5,000 shares of capital stock. **Price**—At market (approximately $35 per share). **Underwriter**—None. To be offered through regular brokers acting as agent for the seller. **Proceeds**—To A. Felix du Pont, Jr., the selling stockholder. Not consummated. Registration subsequently withdrawn.

Piedmont Natural Gas Co., Inc. (3/12-17)
Feb. 20 filed 100,000 shares of common stock (par $1) to be offered to common stockholders at rate of one share for each 2½ shares held. **Price**—$4.50 per share. **Underwriter**—White, Weld & Co., New York. **Proceeds** — To construct and operate six lateral pipe lines. Expected week of March 12 for a 10-day standby.

Prospect Exploration, Ltd. (Canada) (3/12-17)
Feb. 9 filed 170,000 shares of common stock (par $1), of which 75,000 will be sold for the account of the company and 95,000 shares for selling stockholders. **Price**—$11 per share. **Underwriter**—White, Weld & Co., New York. **Proceeds**—To company for working capital and general working purposes.

● **Quebec (Province of) (3/8)**
Feb. 23 filed $50,000,000 of 2⅞% debentures due April 1, 1971. **Price** — To be supplied by amendment. **Underwriters**—The First Boston Corp.; Harriman Ripley & Co.; Smith, Barney & Co.; and others. **Proceeds**—To refund $32,500,000 of bonds and debebntures and balance for road and bridge construction.

Rhinelander Paper Co. (3/6-7)
Feb 15 filed 150,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—A. G. Becker & Co., Inc. **Proceeds**—To reduce long-term debt by $2,150,000; for additions and improvements to property and for working capital.

Rotary Electric Steel Co. (3/5)
Feb. 15 filed 48,419 additional shares of common stock (par $10), to be offered for subscription by common stockholders of record on or about March 5 at rate of one share for each four shares held; rights to expire about March 20. **Price**—To be supplied by amendment. **Underwriter**—W. E. Hutton & Co., Cincinnati, O. **Proceeds**—For expansion program and working capital.

● **Salem Gas Light Co., Salem, Mass.**
Feb. 16 (letter of notification) 2,143⅓ shares of capital stock (par $10), to be offered on a two-for-three basis to present stockholders other than New England Electric System, owner of 93% of Salem stock, who will subscribe for an additional 28,092⅔ shares. **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To total $453,540, will be applied to the payment of indebtedness and to addition to plant.

South State Uranium Mines Ltd. (Canada)
Nov. 30 filed 560,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter-Optionee**—Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital.

● **Southern Industries Corp., Mobile, Ala.**
Feb. 15 (letter of notification) 2,000 shares of common stock. **Price**—At par $100 per share. **Underwriter**—None. **Proceeds**—For additional working capital for subsidiaries, particularly Ewin Engineering Corp. **Office** — Waterman Bldg., Mobile, Ala.

State Bond & Mortgage Co., New Ulm, Minn.
Feb. 5 filed $1,500,000 of accumulative savings certificates, series 1207-A at $95.76 per $100 principal amount and $15,000,000 of accumulative savings certificates, series 1217-A at $85.68 per $100 principal amount. **Underwriter**—None. **Business**—Investment.

● **Standard Factors Corp., New York**
Feb. 23 (letter of notification) $100,000 of 5% subordinated debentures due Dec. 31, 1956, and 15,000 shares of common stock (par $1). **Price**—$950 per $1,000 debenture, and cash purchaser thereof may purchase 150 shares of stock at $2.70 per share. **Underwriter**—Crowell, Weedon & Co., Los Angeles 14, Calif. **Proceeds**—For working capital.

Television Ventures, Inc., New York
Feb. 1 (letter of notification) 49,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For organizational and general operating expenses. **Office**—55 West 42nd Street, New York, N. Y.

● **Trailmobile Co., Cincinnati, Ohio**
Feb. 15 (letter of notification) 3,000 shares of common stock (par $5). **Price**—At the Market. **Underwriter**—None, but Bear, Stearns & Co., New York, will offer the shares for the seller on the New York over-the-counter market. **Proceeds**—To George M. Bunker, President, the selling stockholder.

Transcontinental Gas Pipe Line Corp. (3/7)
Feb. 15 filed 550,000 shares of $2.55 cumulative preferred stock (no par—stated value $50 per share). **Price**—To be supplied by amendment. **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp., New York. **Proceeds**—To redeem $26,500,000 outstanding 6% interim notes due May 1, 1951, at 106% and accrued interest.

Virginia Electric & Power Co. (3/8)
Feb. 1 filed 100,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Stone & Webster Securities Corp., New York. **Proceeds**—For construction expenditures. **Offering**—Expected in March. Preferred stockholders will vote March 2 on approving issuance of the new securities.

Vulcan Iron Works, Wilkes-Barre, Pa.
Jan. 30 (letter of notification) not to exceed 30,000 shares of common stock (par 50 cents). **Price** — At market (about $3 per share). **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To John A. Roberts, Chairman of the Board, who is the selling stockholder.

Welex Jet Services, Inc.
Feb. 9 (letter of notification) 2,000 shares of common stock (no par). **Price**—$20.50 per share. **Underwriters**—Laird & Co., Wilmington, Del.; and Barron McCulloch and Wm. N. Edwards & Co., both of Ft. Worth, Texas. **Proceeds**—To Robert H. McLemore, Vice-President, the selling stockholder. **Address**—P. O. Box 11307, Ft. Worth, Texas.

● **Welex Jet Services, Inc., Fort Worth, Tex.**
Feb. 13 (letter of notification) 1,500 shares of common stock (no par). **Price**—$20.50 per share. **Underwriter**—Laird & Co., Wilmington, Del.; Barron McCulloch, Ft. Worth, Tex.; and Wm. N. Edwards & Co., Ft. Worth, Tex. **Proceeds**—To George A. Jaggers, Vice-President, who is the selling stockholder.

West Penn Electric Co. (3/7)
Jan. 31 filed 320,000 additional shares of common stock (no par) to be offered to its stockholders for subscription on the basis of one additional share for each ten shares held about March 8, with an oversubscription privilege; rights to expire March 26. Unsubscribed shares to be offered to employees of companies in the West Penn Electric System. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To purchase additional equity securities of two of its subsidiaries—Monongahela Power Co. and The Potomac Edison Co. **Bids**—To be opened at 11 a.m. (EST) on March 7 at company's office, 50 Broad St., New York 4, N. Y. Statement effective Feb. 21.

Westerly (R. I.) Automatic Telephone Co.
Dec. 1 (letter of notification) 7,000 shares of common stock to be offered to stockholders of record Dec. 9, 1950, of which total 4,434 shares will be subscribed for by New England Telephone & Telegraph Co. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—38 Main St., Westerly, Rhode Island.

Yampa Valley Coal Co., Denver, Colo.
Feb. 6 (letter of notification) 30,000 shares of 7% cumulative participating preferred stock (par $5) and 30,000 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To engage in strip mining operations for coal, and for equipment and working capital. **Office**—506 Cooper Bldg., Denver, Co.

Prospective Offerings

Alabama Power Co. (9/11)
Feb. 6, it was stated that company contemplates issuance and sale of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

Appalachian Electric Power Co.
Feb. 5 it was stated the company plans to issue and sell about $18,000,000 of first mortgage bonds in May or June. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. **Proceeds**—For property expansion and improvements, on which company may expend up to $90,000,000 during the next three years.

Arkansas Louisiana Gas Co.
Feb. 1 it was announced company plans issuance and sale of $27,500,000 new first mortgage 3% bonds, the proceeds to be used to repay bank loans ($20,125,000 at Nov. 30, 1949), to retire $3,500,000 funded debt incurred in 1950 and for construction program. The sale of these bonds is contingent upon approval by SEC of Arkansas Natural Gas Corp.'s plan to split itself into two new companies. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp.

Arkansas Natural Gas Corp.
Feb 1 announced unexchanged new 3¾% preferred stock (issuable in exchange for 6% preferred stock on basis of $10.60 of new preferred for each old share, under proposal to split company into two units) may be sold publicly.

Arkansas Power & Light Co.
Feb. 6 it was reported that the company will sell $8,000,000 additional first mortgage bonds, probably in late summer or early fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. and Central Republic Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Proceeds**—For construction program, estimated to cost about $20,000,000 in 1951.

Atlantic City Electric Co.
Jan. 15 it was stated tentative plans call for the raising of about $2,250,000 through an offer of additional common stock on a 1-for-10 basis held around May or June. Probable underwriter: Union Securities Corp. Proceeds will be used to pay, in part, construction expenditures, which, it is estimated, will total about $5,400,000 in 1951.

Atlantic City Electric Co.
Jan. 29, it was announced that the stockholders will on April 10 vote on a proposal to increase the authorized cumulative preferred stock from 100,000 to 150,000 shares. Previous preferred stock financing was handled by private placement through Union Securities Corp. and Smith, Barney & Co.

Boston Edison Co.
Jan. 30, J. V. Toner, President, announced that company plans to issue $32,000,000 of securities to aid in financing its construction program, which, it estimated, will cost $65,300,000 through 1954. He added that no common stock financing is planned until 1955.

Bridgeport Gas Light Co.
Jan. 19 it was reported company plans to convert to natural gas at, an estimated cost of about $800,000. Probable underwriters: Smith, Ramsey & Co., Inc., Bridgeport; Conn.

Bridgeport Hydraulic Co.
Feb. 17 it was reported company plans to issue and sell an additional 44,000 shares of common stock, first to stockholders. **Underwriter** — Smith, Ramsey & Co., Inc., Bridgeport, Conn. **Proceeds**—For new construction.

● **Burlington Mills Corp.**
Feb. 22 it was announced that stockholders will vote March 26 on authorizing an issue of 400,000 shares of a new class of preference stock of which the company plans to issue and sell 300,000 shares with conversion privileges. **Underwriter**—Kidder, Peabody & Co. **Proceeds** — For additions and improvements to plant and equipment.

Byers (A. M.) Co.
Jan. 25 L. F. Rains, President, revealed that the company is considering a plan to refinance its 7% cumulative participating preferred stock (par $100), about 50,000 shares outstanding. These shares are redeemable at 110 and accrued dividends. Holders may be offered in exchange a new convertible preferred stock, plus common stock. Company being advised by Blyth & Co., Inc., and Fahnestock & Co.

● **Carolina Natural Gas Corp., Charlotte, N. C.**
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

Columbia Gas System, Inc.
Dec. 7 it was reported that corporation may issue and sell $35,000,000 of new securities in the Spring or early summer. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). Probable bidders for common stock, in event of competitive bidding: Morgan Stanley & Co.; Goldman, Sachs & Co. and Union Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co. and R. W. Pressprich & Co. (jointly). Proceeds will be used for expansion program.

Columbus & Southern Ohio Electric Co.
Feb. 19, J. B. Poston, Chairman and President, announced company contemplates issuance and sale of additional common stock during the first half of 1951. If competitive, probable bidders may include Dillon, Read & Co., Inc.; Lehman Brothers and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Proceeds**—For expansion program.

Commonwealth Edison Co.
Jan. 10 it was announced the company contemplates $181,000,000 additional financing through the sale of securities. Neither the nature nor the time of the new financing has been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co. Proceeds are to be used for construction program.

Consolidated Natural Gas Co.
Jan. 9 it was reported company contemplates issuance of between $50,000,000 and $60,000,000 of convertible debentures. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson Curtis (jointly); Dillon, Read & Co. Inc.: The First Boston Corp.; Blyth & Co., Inc.; Morgan Stanley & Co. **Proceeds**—To finance construction program. **Offering**—Expected late in April.

Denver & Rio Grande Western RR.
Feb. 20 the company was reported to be considering issuance and sale, probably in May, of about $40,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. **Proceeds**—From sale of new bonds, together with other funds, to redeem $35,000,000 of 3%-4% first mortgage bonds, series A, due Jan. 1, 1993, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, due Jan. 1, 1993.

Detroit Edison Co. (4/2)
Jan. 29 it was announced company plans to offer about 850,000 shares of additional common stock to its stockholders on the basis of one share for each ten shares held. **Price**—At par ($20 per share). **Underwriter**—None. **Proceeds**—For construction program.

Detroit Steel Corp.
Jan. 30 the management disclosed that it had approved plans to double the company's ingot capacity to 1,290,000 tons annually and to increase its finishing capacity from the present 180,000 tons to more than 1,000,000 tons at the company's Portsmouth, Ohio, works. The expansion program is estimated to cost about $50,000,000. The method of financing is being determined. In January of 1950, $15,000,000 of bonds were placed privately.

● **Duke Power Co.**
Feb. 27 directors approved issuance and sale of $35,000,000 of new first and refunding mortgage 30-year bonds and not exceeding 126,255 additional shares of common stock to common stockholders at rate of one new share for each 10 shares held. **Price**—For stock, $75 per share. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Proceeds**—For construction program.

Englander, Inc.
Feb. 19, it was reported to be contemplating new financing. Underwriter—Glore, Forgan & Co., Chicago, Ill.

Florida Power Corp.
Feb. 13 it was announced common stockholders will vote March 29 on a proposal to increase the authorized common stock (par $7.50) from 1,600,000 to 2,500,000 shares and the authorized preferred stock (par $100) from 120,000 to 250,000 shares. Underwriters for preferred stock to be determined by competitive bidding. Probable bidders may include Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Union Securities Corp. Probable underwriters for common stock. Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Food Machinery & Chemical Corp.
Jan. 29, P. L. Davies, President, announced an expansion program which will involve well in excess of $25,000,000, to be financed, in part, by the issuance of $25,000,000 of debentures. Later it is probable rights may be given to stockholders to purchase additional common stock, possibly by the end of 1952 or early 1953. Traditional underwriters: Kidder, Peabody & Co.; Mitchum, Tully & Co.

Foote Mineral Co.
Feb. 15 stockholders approved an increase in authorized common stock from 100,000 to 300,000 shares to provide for the payment of a 200% stock dividend on the 57,995 outstanding shares, par $2.50. G. H. Chambers, Vice-President, stated that the company is committed to a policy of expansion. "This," he said, "will require more money, and the directors later this year may seek some form of new capital." Traditional underwriter—Estabrook & Co., New York. Expected this Spring.

Georgia Power Co. (6/5)
Jan. 8 it was reported company may issue and sell $20,000,000 of new first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers; Harriman Ripley & Co. Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—Tentatively expected to be opened on June 5. **Registration**—Scheduled for April 4.

Gibraltar Steel Corp., Trenton, Mich.
Jan. 29 it was announced company is being formed to operate a $100,000,000 fully-integrated steel plant with a capacity of 700,000 tons of ingots annually, to be built at Trenton, Mich. C. S. Eaton, of Otis & Co., who will be Chairman of the Board, stated that no public offering of securities would be involved.

Granite City Steel Co.
Jan. 26 it was announced that company plans to offer additional common stock to common stockholders following proposed 2-for-1 split-up of 497,201 shares and change in par value from no par to $12.50 per share to be voted upon March 12. It is planned to raise $6,000,000. Traditional underwriter: Merrill Lynch, Pierce, Fenner & Beane, New York. Proceeds will be used for expansion.

Gulf Power Co.
Feb. 6, it was reported that this company may sell securities "for new money" this year. In event of preferred stock issue, probable bidders may be Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. But definite plans have not as yet been formulated.

Harrison-Rye Realty Corp., N. Y.
Bids are invited for purchase of 5,000 shares of class A preferred stock (no par value) of the above company from Commodore Hotel, Inc., 42nd St. and Lexington Ave., New York 17, N. Y.

Idaho Power Co.
Feb. 6, it was reported that this company will raise $18,500,000 through sale of securities this year. It is believed that this financing will be through sale of mortgage bonds and preferred stock. Bond financing may be private, while preferred stock may be underwritten by Wegener & Daly Corp., Boise, Idaho. Proceeds would go toward expansion program, which, it is estimated, will cost nearly $23,000,000 for 1951.

Illinois Central RR.
Jan. 22 the directors authorized the executive committee to plan for the refunding of Illinois Central RR. and Chicago, St. Louis & New Orleans RR. joint $18,812,000 of first refunding mortgage bonds due 1963 (including $14,611,000 of 4½% series "C" and $4,201,000 of 4% series "D" bonds). It is reported that $20,000,000 of new consolidated mortgage bonds will be issued. Probable underwriter—Kuhn, Loeb & Co., New York. No immediate financing expected.

● **Illinois Central RR. (3/20)**
Bids will be received March 20 for the purchase of $3,600,000 equipment trust certificates to mature annually from 1952 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc., and Lehman Brothers (jointly).

Illinois Central RR. (4/19)
Feb. 13, it was reported company expected to raise $6,800,000 through the sale of equipment trust certificates. **Bids**—Tentatively scheduled to be received on April 19 Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; The First Boston Corp.

Kansas City Power & Light Co.
Feb. 7, Harry B. Munsell, President, announced company expects to raise $15,000,000 of new money through the sale of new securities, including from $5,000,000 to $8,000,000 preferred stock, and the remainder common stock and bonds. Probable bidders for preferred stock: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White, Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock: Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley & Co., Inc.

Kansas-Nebraska Natural Gas Co., Inc.
Feb. 15, it was announced that company plans to raise $4,200,000 through the sale of debentures or first mortgage bonds in the spring of 1951 (this is in addition to current sale of 10,950 shares of $5 cumulative preferred stock (no par) at $105 per share plus accrued dividends and 133,812 shares of common stock (par $5) at $15 per share (the latter to common stockholders). The bond financing early last year was placed privately through Central Republic Co. (Inc.), Chicago, Ill. The proceeds are to be used for the company's expansion program.

Laclede Gas Co.
Jan. 30, R. W. Otto, President, stated it appears likely that the company will sell additional mortgage bonds some time this year to finance its 1951 construction requirements. During the current fiscal year, he said, about $10,000,000 may be spent for new construction, of which more than $4,000,000 had been spent up to Dec. 31, 1950. It was also stated that the company is giving serious consideration to early refinancing of its outstanding $19,000,000 3½% bonds due Feb. 1, 1965, and $6,500,000 3½% bonds due Dec. 1, 1965, through the issuance of possibly $28,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Goldman, Sachs & Co.; White, Weld & Co.; Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Lake Shore Pipe Line Co., Cleveland, Ohio
Feb. 15 FPC authorized this company to acquire, construct and operate pipeline facilities which will carry natural gas into northeastern Ohio for the first time. Financing plan includes the issuance and sale of $1,075,000 in bonds to Stranahan, Harris & Co., Inc., Toledo, O., $225,000 in preferred stock and $150,000 in common stock.

Lone Star Steel Co.
Jan. 16, E. B. Germany, President, announced that company will raise $5,000,000 through a common stock offering within the next 120 days to be first made to common stockholders. **Underwriters**—Probably Straus & Blosser; Estabrook & Co., and Dallas Rupe & Son. **Proceeds**—For expansion program.

Long Island Lighting Co.
Jan. 31, Edward F. Barrett, President, said an increase in the number of common shares is in prospect to assist in financing construction. These shares will be first offered to stockholders. How much stock will be issued has not yet been determined. Probable bidders may include W. C. Langley & Co.; Kidder, Peabody & Co.; Smith, Barney & Co.

Michigan-Wisconsin Pipe Line Co.
July 25 company received SEC authority to borrow not more than $20,000,000 from banks. A permanent financing program provides for the elimination of these bank loans prior to their maturity, July 1, 1951, and such program will include the issuance and sale of $12,000,000 additional bonds and $3,000,000 of additional common stock (latter to American Natural Gas Co., the parent). Previous debt financing was placed privately. If competitive probable bidders may include The First Boston Corp.; Harriman Ripley & Co., Inc.; Glore, Forgan & Co.

Mississippi Power Co. (7/17)
Feb. 6, it was reported that this company contemplates the issuance and sale of $4,000,000 of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co., Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. **Bids**—Tentatively expected to be received on July 17. **Registration**—Scheduled for June 15.

Monongahela Power Co. (4/24)
Dec. 1 it was announced company plans issuance and sale of $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Harriman Ripley & Co., Inc. **Proceeds**—For expansion program. **Offering**—Tentatively expected on April 24, with SEC registration on March 23.

Montana-Dakota Utilities Co.
Feb. 16 company applied to the FPC for authority to acquire natural gas facilities of three companies operating in Montana and Wyoming and to construct additional facilities, estimated to cost $5,864,094. In connection therewith, and the proposed funding of $5,800,000 short-term bank loans, it is planed to issue and sell common stock, preferred stock and mortgage bonds for a total of $11,500,000. Traditional underwriters are Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane. Financing expected before April 1, 1951.

New England Power Co.
Jan. 24 it was estimated that $32,000,000 of new financing will be required prior to Dec. 31, 1952 (including the $12,000,000 of bonds filed with SEC). Between 70,000 to 80,000 shares of preferred stock may be initially offered. Probable bidders: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co. Proceeds to be used to repay bank loans and for construction program.

New Jersey Power & Light Co.
Feb. 19 it was reported that company tentatively plans to issue and sell $2,500,000 of preferred stock to public and $1,500,000 of common stock to General Public Utilities Corp., parent. **Underwriters**—For preferred to be determined by competitive bidding. Probable bidders: Drexel & Co., Kuhn, Loeb & Co., and Lehman Brothers (jointly); W. C. Langley & Co.; Smith, Barney & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler. **Proceeds** — For 1951 construction program. Expected late Summer and early Fall.

● **New York, Chicago & St. Louis RR.**
Feb. 23, it was announced that stockholders will vote March 29 an authorizing a new issue of cumulative preferred stock which may be offered in exchange for the present $36,056,700 of $6 preferred stock.

Northern Pacific Ry.
Feb. 15 it was announced company plans to issue and sell $6,900,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Harriman Ripley & Co., Inc. and Lehman Brothers

Continued on page 50

Continued from page 49

(jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.

Oklahoma Gas & Electric Co.

Dec. 20 D. S. Kennedy, President, said company is considering refunding outstanding $6,500,000 5¼% cumulative preferred stock (par $100) with an equal amount of preferred stock with a lower dividend rate and may issue additional common stock (par $10) provided market conditions warrant such action, to finance construction program. Probable underwriters: Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Oklahoma Gas & Electric Co.

Feb. 7 it was announced that company plans some new financing in connection with proposal to build an $8,750,000 power plant near Sulphur, Okla.

Pennsylvania Electric Co.

Feb. 16 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds, $2,500,000 of preferred stock and $2,500,000 of common stock (latter to General Public Utilities Corp., parent). **Underwriter**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. Probable bidders for preferred stock: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman, Ripley & Co., Inc. **Proceeds**—For 1951 construction program. Expected late Summer or early Fall.

Pennsylvania Power & Light Co.

Jan. 26 it was announced that an offering of 40,000 shares of preferred stock is expected to be announced shortly. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Drexel & Co. (jointly); Blyth & Co., Inc.; White, Weld & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To finance, in part, the company's expansion program.

● **Piedmont Natural Gas Co., Inc.**

Feb. 20 it was announced company plans sale of $1,800,000 of interim notes (dischargeable at maturity by delivery of 36,000 shares of cumulative preferred stock at rate of one share for each $50 principal amount) and an unspecified amount of common shares, to be sold in units with notes. **Underwriter**—May be White, Weld & Co., New York. **Proceeds**—For conversion to natural gas and for new construction.

Pitney-Bowes, Inc.

Feb. 5 directors voted to submit to stockholders on April 4 a plan to increase authorized preferred stock by 60,000 shares in order to have such shares available in the event that future conditions require new financing. Latest preferred stock financing was placed privately through The First Boston Corp.

Portland General Electric Co.

Jan. 27, Thomas Delzell, Chairman, said that the $20,000,000 Deschutes River project, temporarily being financed by short-term borrowings and bank loans, may be refinanced some time prior to May 1, 1952, by the sale of long-term bonds and common stock. The latest stock financing was handled by Blyth & Co., Inc. Probable bidders for bonds may be Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Shields & Co. (jointly); First Boston Corp.; Harriman Ripley Co., Inc.

Potomac Edison Co. (4/3)

Dec. 1 it was announced that company plans to issue $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Alex Brown & Sons (jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc., and Union Securities Corp. (jointly); Lehman Brothers; Equitable Securities Corp.; Drexel & Co. **Proceeds**—For expansion program. **Offering**—Expected on April 3 with SEC registration tentatively scheduled for March 2.

Public Service Co. of Colorado

Nov. 1, J. E. Loiseau, President, announced that "it will be necessary to raise additional funds for construction purposes in the second quarter of 1951. The amount needed is estimated at about $7,000,000." Probable bidders for a reported issue of $15,000,000 new bonds are: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.); Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Public Service Co. of North Carolina, Inc.

Feb. 9 company filed with FPC a second amended application in connection with a proposed natural gas system to serve 34 communities in North Carolina. It is now proposed to build seven lateral lines, aggregating about 168 miles in length. Estimated total capital cost is approximately $4,500,000, which would be financed by the issuance of first mortgage bonds and junior securities.

Public Service Co. of Oklahoma (4/9)

Feb. 9 it was stated that company plans issuance and sale of $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. **Proceeds**—For new construction. **Registration**—Expected about March 5. **Bids**—Tentatively expected to be received up to April 9.

River Brand Rice Mills, Inc. (3/21)

Feb. 19, it was reported registration of 250,000 shares is expected about Feb. 28. **Underwriter**—Lee Higginson Corp., New York. **Offering**—Tentatively scheduled for March 21.

Schering Corp.

Feb. 2 it was reported that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale probably in March to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

● **Seaboard Air Line RR.**

Bids will be received by the company at the office of Willkie Owen Farr Gallagher & Walton, 15 Broad Street, New York 5, N. Y., up to noon (EST) on March 15 for the purchase from it of $2,400,000 equipment trust certificates, series J, to be dated April 1, 1951, and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutler; Harris, Hall & Co. (Inc.).

Sharon Steel Corp.

Jan. 29 it was announced that as a preliminary to financing some phases of the corporation's $49,000,000 expansion program, stockholders will be asked to vote at the annual meeting March 22 to increase the debt ilmit of the company to $30,000,000 and to increase authorized capital stock to 2,500,000 from 1,000,000 shares. At present, the company has 925,863 shares outstanding. The company's expansion plan, recently announced, will sharply increase ingot capacity, pig iron and coke output and finishing facilities. The additions and improvements are to be completed over the next five years.

South Jersey Gas Co.

Feb. 7 it was reported that this company is planning to refinance its outstanding $4,000,000 of 4⅛% bonds and $3,338,000 of short-term bank loans with a new issue of bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Halsey, Stuart & Co. Inc.

Southern Co. (4/3)

Feb. 6 it was reported that the company plans to issue an additional 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Blyth & Co., Inc.; Lehman Brothers; Harrimon Ripley & Co., Inc. **Proceeds**—For construction program. **Bids**—Expected to be opened at 11:30 a.m. (EST) on April 3 at company's office, 20 Pine Street, New York, N. Y. **Registration Statement**—Scheduled to be filed with SEC on March 2.

Southern Union Gas Co.

Jan. 18 it was announced company plans to issue and sell approximately 27,000 shares of preferred stock (par $100) and approximately $4,000,000 of first mortgage bonds (in addition to the 150,799 additional shares of common stock filed with SEC on Jan. 8.—see preceding columns).

Stearns Manufacturing Co., Inc.

Jan. 31 Federal Judge F. A. Picard, at Detroit, Mich., directed Besser Manufacturing Co. to sell its 87,000 shares of Stearns common stock (198,763 shares outstanding).

Texas Gas Transmission Corp.

Jan. 3 company asked FPC permission for approval of a $42,300,000 construction program, which will include the building of 580 miles of pipe line to supply natural gas in its own mid-Western service area and in Appalachian markets. The program would increase the capacity of the Texas-to-Ohio pipe line system to over 900,000,000 cubic feet per day. Tentative plans include the sale of around $30,000,000 bonds (which may be placed privately with insurance firms) and about $10,000,000 of preferred stock (depending upon market conditions). The balance of the funds needed will be obtained from treasury cash or temporary bank loans. Traditional underwriter is Dillon, Read & Co. Inc., New York.

Trion, Inc.

Feb. 8 stockholders increased authorized common stock from 150,000 shares (par $2) to 2,000,000 shares, in a step preliminary to the sale of additional stock. Previous financing handled by Graham & Co., Pittsburgh, Pa. Proceeds would be used to handle expanded defense business.

United Artists Corp.

Feb. 8, Paul V. McNutt, Chairman, announced that a refinancing of the corporation has been arranged.

Virginia Electric & Power Co.

Feb. 1 it was announced that (in addition to proposed issue and sale of 100,000 shares of preferred stock (par $100) filed with SEC on Feb. 1) further financing in 1951 is anticipated in an amount which may aggregate $25,000,000. The proceeds will go toward company's construction program.

Worcester County Electric Co.

Jan. 22 it was stated early registration is expected of $12,000,000 first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Proceeds**—To retire bank loans.

Our Reporter's Report

Differences of opinion are what make a horse race, or so the saying goes, and this seemed to be the case in the new issue market this week. Underwriters certainly witnessed the two extremes of competitive bidding.

Tennessee Gas Transmission Corp. put up its $35,000,000 of 20-year, first mortgage bonds and drew tenders from two banking groups. The successful syndicate paid the company a price of 101.229 for a 3⅛% coupon.

But the runners-up entered a bid of 100.31999 for an indicated spread of $9.10 per $1,000 bond. The winners originally priced the issue for public offering at 101.869 to yield an indicated return of 3%.

It was quickly apparent, however, that the bonds were not going to move at that level. The usual preoffering inquiry was conspicuous by its complete absence.

The group made a quick recalculation and revised the offering price to 101.25 for an indicated yield of 3.04%. This stirred up a shimmer of demand from prospective buyers but not enough to suggest any immediate placement of the entire issue.

It seems like "splitting a hair," but nonetheless some dealers felt that a 3.05% yield basis might conceivably have made a real difference. At last reports only a small portion of the total had moved out to investors.

Consolidated Edison A "Quickie"

Except for the presence of an intermediate bid the bankers who took down Consolidated Edison Co.'s $60,000,000 of 30-year first mortgage bonds might have run into much the same situation.

This offering brought out three bids, the highest being 101.459991 and the lowest 100.13999, both for a 3% coupon, making the indicated spread $13.20 per $1,000 bond.

Here, however, there was the bid of the runners-up which was 101.45 a bare nine cents per $1,000 differential. Repriced for public offering at 101.994 to yield 2.90% to maturity, this issue was snapped up quickly with Canadian and Philadelphia banks taking down good sized lots to start the ball rolling.

Another Fast Operation

One of the largest secondary operations to date this year made the dash in nothing flat. This undertaking involved 333,000 shares of Aluminium Ltd., via the negotiated route.

Priced at $91 a share and with a dealers' commission of $1.65 a share, sponsoring bankers were able to report immediate oversubscription and closing of the books.

Of the total 125,000 shares were designated for sale in the Canadian market and the balance of 208,000 shares were sold in the local market.

Quebec Loan Due

Next week will bring to market the Province of Quebec's $50,000,000 issue of 2⅞% debentures, which are payable in U. S. dollars.

This offering is due to reach market a week from today and since it is largely for refunding purposes, it should find ready acceptance among holders of maturing securities it is destined to replace.

Proceeds will be used to retire $7,500,000 of 4½% dollar debentures, due July 1, 1956 and $10,000,000 more of 3¼% bonds due in 1954, along with an internal issue of $15,000,000 of 3% debentures, due next November. The balance will provide funds for bridges and roads in the Province.

World Bank Bonds

The World Bank's offering of $50,000,000 of 25-year bonds, carrying a 2% coupon, encountered a reception which was more or less expected in view of the change in method of handling the financing.

Bankers characterized this one as a "whale" of a deal," quite in contrast to the reaction which followed last year's $100,000,000 offering of serials.

Discarding the "competitive bidding" method the bank, on this occasion, turned to the "agency" procedure and the shift paid off in a big way, judging by current reports.

With Sincere & Co.

(Special to THE FINANCIAL CHRONICLE)

VERO BEACH, Fla.—Robert E. Shimmin is associated with Sincere & Co. of Chicago.

Opens White Plains Office

Oppenheimer, Vanden Broeck & Co., Members New York Stock Exchange, announce the opening of a new office in White Plains on March 1, under the management of Ernest Kirk.

With P. R. Smith Co.

(Special to THE FINANCIAL CHRONICLE)

ELYRIA, Ohio—Sarah Thomas has joined the staff of P. R. Smith & Co., Elyria Savings and Trust Building, members of the Midwest Stock Exchange.

DIVIDEND NOTICES

Allied Chemical & Dye Corporation
61 Broadway, New York

February 27, 1951

Allied Chemical & Dye Corporation has declared quarterly dividend No. 120 of Fifty Cents ($.50) per share on the Common Stock of the Company, payable March 20, 1951, to common stockholders of record at the close of business March 9, 1951.

W. C. KING, Secretary

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York 3, N. Y.

186th PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 2, 1951, to stockholders of record at the close of business March 9, 1951. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

February 27, 1951

The Colorado Fuel & Iron Corporation

DIVIDEND ON COMMON STOCK

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation, held on February 28, 1951, the regular dividend in the amount of thirty-seven and one-half cents per share was declared on its common stock, payable March 30, 1951 to stockholders of record at close of business on March 12, 1951.

D. C. McGREW, Secretary

BRIGGS & STRATTON

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, less 2.80 per cent Wisconsin privilege dividend tax, on the capital stock (without par value) of the Corporation, payable March 15, 1951, to stockholders of record March 2, 1951.

L. G. REGNER, Secretary.

February 20, 1951.

SITUATION WANTED

Dealer Contact Man Available

Will relocate if necessary. Box M 1, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y.

DIVIDEND NOTICES

JM Johns-Manville Corporation
PRODUCTS

DIVIDEND

The Board of Directors declared a dividend of 75¢ per share on the Common Stock payable March 14, 1951, to holders of record March 5, 1951.

ROGER HACKNEY, *Treasurer*

AMERICAN LOCOMOTIVE COMPANY
30 Church Street New York 8, N. Y.

PREFERRED DIVIDEND No. 171
COMMON DIVIDEND No. 104

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared payable April 1, 1951, to holders of record at the close of business on March 12, 1951. Transfer books will not be closed.

CARL A. SUNDBERG
February 21, 1951 *Secretary*

B.T. Babbitt INC.

89th CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 15c per share on the Common Stock of the Company, payable on April 2, 1951 to stockholders of record at the close of business on March 20, 1951.

LEO W. GEISMAR, Treasurer.

February 28, 1951

CALUMET AND HECLA CONSOLIDATED COPPER CO.

The Board of Directors of Calumet and Hecla Consolidated Copper Company has declared a dividend of twenty cents ($0.20) per share, payable March 16, 1951 to stockholders of record at the close of business March 9, 1951. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

J. H. ELLIOTT, Secretary

Boston, Mass., February 21, 1951

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of $1.00 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION payable April 1, 1951, to stockholders of record at the close of business March 9, 1951. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*

February 26, 1951.

Allen B. Du Mont Laboratories, Inc.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a dividend of $.25 per share on its outstanding shares of Class A Common Stock and Class B Common Stock, payable March 26, 1951 to Common Stockholders of record at the close of business March 12, 1951.

A regular quarterly dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock has also been declared, payable April 1, 1951 to Preferred Stockholders of record at the close of business March 15, 1951.

PAUL RAIBOURN,
Treasurer

February 21, 1951

DUMONT *in all phases of television*

DIVIDEND NOTICES

FERRO ENAMEL CORPORATION
CLEVELAND, OHIO

The Board of Directors of the Ferro Enamel Corporation has this day declared a Dividend of forty cents ($.40) per share on the outstanding common stock of the Company, payable June 25, 1951, to shareholders of record on June 5, 1951.

February 20, 1951 G. W. WALLACE, Treasurer

HOMESTAKE MINING COMPANY
DIVIDEND No. 879

The Board of Directors has declared dividend No. 879 of Seventy-Five Cents ($.75) per share of $12.50 par value Capital Stock, payable March 16, 1951 to stockholders of record March 6, 1951.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

February 16, 1951.

E.I. DU PONT DE NEMOURS & COMPANY

DU PONT
REG. U.S. PAT. OFF.

Wilmington, Delaware, *February 19, 1951*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable April 25, 1951, to stockholders of record at the close of business on April 10, 1951; also 85¢ a share on the Common Stock as the first interim dividend for 1951, payable March 14, 1951, to stockholders of record at the close of business on February 26, 1951.

L. DU P. COPELAND, *Secretary*

CONSOL

The Board of Directors of **PITTSBURGH CONSOLIDATION COAL COMPANY** at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on March 15, 1951, to shareholders of record at the close of business on March 8, 1951. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

February 26, 1951.

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
590 Madison Ave., New York 22

The 144th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable March 10, 1951, to stockholders of record at the close of business on February 16, 1951. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Vice Pres. & Treasurer

January 30, 1951

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 147

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable April 2, 1951, to stockholders of record at the close of business on March 15, 1951. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY

One Wall Street, New York

February 21, 1951

The Board of Directors has this day declared a quarterly dividend of 20 cents per share on the capital stock of this Company, par $10., payable April 2, 1951, to stockholders of record at the close of business March 6, 1951.

STEPHEN G. KENT, *Secretary*

DIVIDEND NOTICES

CSC

COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 65

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on March 30, 1951, to stockholders of record at the close of business on March 7, 1951.

A. R. BERGEN,
Secretary.

February 26, 1951.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 32 cents per share on the Common Stock of the Company, payable April 2, 1951 to stockholders of record at the close of business March 5, 1951.

RICHARD BULLWINKLE
Secretary

February 23, 1951

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending April 30, 1951, has been declared payable April 16, 1951 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on March 29, 1951.

A dividend of 50¢ per share has been declared payable April 16, 1951, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on March 29, 1951.

February 28, 1951 D. H. COLLINS
Secretary

ROYAL

CHEMICALS
TEXTILES
PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable April 1, 1951 to holders of record at the close of business March 9, 1951.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1951 to holders of record at the close of business March 9, 1951.

COMMON STOCK

75 cents per share, payable March 23, 1951 to holders of record at the close of business March 9, 1951.

R. O. GILBERT
Secretary

February 27, 1951.

DIVIDEND NOTICES

TC TENNESSEE CORPORATION
TENNESSEE CORPORATION

February 19, 1951.

A dividend of forty-five (45¢) cents per share has been declared, payable March 29, 1951, to stockholders of record at the close of business March 7, 1951.

61 Broadway
New York 6, N. Y.
J. B. McGEE
Treasurer.

MERCK & CO., INC.
RAHWAY, N. J.

MERCK

Dividends of 50¢ a share on the common stock and 87½¢ a share on the $3.50 cumulative preferred stock have been declared, payable on April 2, 1951, to stockholders of record at the close of business March 12, 1951.

JOHN H. GAGE,
Treasurer

February 27, 1951

UNITED FRUIT COMPANY

DIVIDEND NO. 207

A dividend of seventy-five cents per share and an extra dividend of one dollar per share on the capital stock of this Company have been declared payable April 13, 1951 to stockholders of record March 8, 1951.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., February 19, 1951

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable April 2, 1951, to stockholders of record at the close of business on March 12, 1951.

J. H. MIRACLE
Secretary

February 28, 1951

20th CENTURY FOX

TWENTIETH CENTURY-FOX FILM CORPORATION

February 23, 1951

A quarterly cash dividend of $1.12½ per share on the outstanding Prior Preferred Stock of this Corporation has been declared payable March 15, 1951 to the stockholders of record at the close of business on March 6, 1951.

A quarterly cash dividend of $.37½ per share on the outstanding Convertible Preferred Stock of this Corporation has been declared payable March 30, 1951 to the stockholders of record at the close of business on March 6, 1951.

A quarterly cash dividend of $.50 per share on the outstanding Common Stock of this Corporation has been declared payable March 30, 1951 to stockholders of record at the close of business on March 6, 1951.

DONALD A. HENDERSON,
Treasurer.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — In this capital city where the reaching for power normally occupies something like about half the time of its very important people, the current scene is noted by a greater concentration on this ambition than in many a moon. In fact, just about all the front-line business is concerned with the drive of some group to get more power in some way or other.

There is, for instance, the well-publicized demand of big labor to obtain a "larger share" in the operation of the potentially pervasive controls over the civilian economy.

Just what labor wants is not difficult to figure. Labor does not actually expect that it can obtain dominant control over the operation of the economy. It does, however, aspire to put itself in a position to veto any phase of the mobilization program which labor considers important to itself.

Thus, labor looks longingly to the curious time when the late Sidney Hillman of the CIO garment workers and the late William Knudsen were "co-directors" of the War Production Board, and organized labor was in a position to stultify the operations of WPB.

This curious state of affairs went on for a long time until a former Republican Congressman, Albert Engel of Michigan, dug up and widely publicized some letters written by Mr. Hillman to defense officials suggesting that no textile contracts be given to any firm which did not recognize the Amalgamated. This disclosure came about the time that Mr. Hillman's co-directorship was beginning to pall, and Mr. Hillman subsequently passed from WPB.

What really irritates the highest paid walking delegates is that Charley Wilson is on to the game they and the left-wingers played during World War II. During that exercise in the planned and expanding economy, the left-wingers placed enough of their little boys and girls around in subordinate, and sometimes not so subordinate, positions, to be able often to gum up the works.

This current scrap has completely delayed the objective of getting the Defense Production Act extended and modified. The act expires June 30, and normally the Administration would like to get Congress working on this so the decks could be cleared for taxes and other legislation. It would also like to get rent control enacted as part of DPA, and the temporary rent control extension expires at the end of this month.

However, the word has been slipped quietly to the Capitol to lay off considering DPA. To get this act before committee would be to give Congress a chance to mix into the scrap, and Harry Truman has a hard enough time fighting this thing without having to consider Congress on this question at the same time.

When former Senator Harry Truman was Chairman of the Senate War Investigating Committee, he issued a report which scathingly denounced such a two-headed arrangement. It is easier today, however, to find a piece of genuine gold money and look at it than a copy of this particular report, which has disappeared from several files.

* * *

Another of the power drives is the continuation of the old struggle, which in the end probably will be successful, of the Interior Department to wrest from the states complete control over the licensing of oil development in the marginal waters. A current bill would provide a "temporary" solution to the disputed legal situation by giving the Federal Government authority. The states contend that if the Federal Government ever gets its hands on this power, it will never let go.

* * *

A third reaching for power has just barely come to the surface. It is the proposal that Congress enact the dream which has fired many an ambitious bureaucrat—to set up a government "ministry of propaganda" or separate big propaganda agency, such as the Office of War Information of World War II.

Curiously enough, the first group to react against this violently consists of the government press agents. In theory the new OWI, or whatever it might be called, would be confined to selling democracy or something like that to the foreigners.

However, it is the nature of such a bureaucracy to take a constantly deepening responsibility over what it considers to be foreign propaganda. Thus, during World War II the OWI made many a pass at trying to censor the press releases and even the speeches of officials of non-war agencies, and the "domestic" propagandists are up in arms for fear they will again be threatened. They had one big confab in which they reportedly attempted to get a commitment from the White House that it was not backing the ministry of propaganda idea. They got no effective reassurances, they said.

Likewise the State Department, where all the international propaganda agencies are now housed, is viewing the thing with considerable alarm. This is a business of about $125 million, employs some 10,000 people, and includes magazine and news propaganda as well as the "Voice of America."

Senator William S. Benton (D., Conn.) is sponsoring the separate agency on the theory that it can do better independently than as a subordinate part of the State Department.

* * *

If Congress, as a result of some unforseeable combination of circumstances, should pass a resolution along the lines talked by Senator Paul H. Douglas (D., Ill.), to free the Federal Reserve System from the responsibility for supporting government bonds at par, the most embarrassed party, according to highly informed observers, might be none other than the Federal Reserve Board itself.

Although the Federal Reserve System or the Board has never made public the recommendations of the Board and the Open Market Committee to the Treasury, the impression has been inspired that the Board is taking a firm stand in favor of higher interest rates. Columnists who seldom write on financial subjects have reported that the Board wants to let interest rates rise, and to end the decade-old era of a "price control of money." Even Senator Douglas appears to believe that the Federal Reserve Board wants to get rid of the responsibility for maintaining the par value of government bonds.

Actually, it is reported authoritatively the Board so far has not recommended officially either a generally higher interest rate policy or the ending of the monkey-business of supporting government bonds at par. It has not even recommended that interest rates be allowed to rise, say to 3% on long-terms, with supports maintained at that higher level.

The actual official recommendation, it is stated, was for simply and only dropping the premiums now prevailing in the market. According to one point of view, this is **not** in fact a proposal to drop the 2½% pattern as such. According to another viewpoint, the effect of dropping the premium on the Victories would make impossible future long-term financing within the 2½% pattern, would force a little rise in the long-term rate.

Many of the Board's friends, including Senators Douglas and Taft, seem to have the impression that the Board favors the ending of the enforced low-interest-rate pattern. Hence if a resolution of the character Senator Douglas is contemplating were passed, they would expect the Reserve Board to take the lid off interest rates.

This might embarrass the Board, since it asks only to unscrew the lid a little, leave it less tight.

On the other hand, it is possible that the Board's limited recommendation to merely drop the premiums was a "practical compromise" with political realities and the opposition of the Administration. Perhaps if free to express its genuine wishes, the Board might go even farther, perhaps advocate a policy along the lines coinciding with the public impression of what the Board advocates.

* * *

One means of controlling the volume of credit whilst retaining the 2½% interest rate pattern might well be the adoption of an overall limit on the volume of bank credit—an idea suggested by Dr. John D. Clark, who is on the President's committee named Monday to iron out the dispute between the Treasury and Federal Reserve Board.

Dr. Clark, Vice-Chairman of the Council of Economic Advisers, gave a hint of such a proposal when he appeared a few weeks ago before the Joint Economic Committee. The suggestion, however, was overlooked at the time both because the credit control dispute was then at its height and other statements blanketed it out, and because the significance of the proposal did not sink in to most observers.

Dr. Clark did not actually propose that an attempt be made now to impose selective business credit control because he forecast that by the middle of the year, banks would find themselves with a plethora of funds looking for investment in governments, and there would be no need for such control.

If the extension of bank credit to business were creating a dangerous situation, "there is no sense in trying to attack the danger by the awkward, indirect, and indiscriminate control of credit, but we should do with credit what we are doing with respect to other sectors of the economy, and that is to apply direct control of the volume of credit," said Dr. Clark.

He said that if price control could be applied to 4 million businesses and wage control to 60 million workers, credit control could be applied to 14,000 banks.

Dr. Clark did not refer to this as "selective business credit control." Such a concept, however, was inescapable from the text of his remarks, which emphasized that nothing should be done to discourage economic expansion aiding the defense build-up.

Outside the CEA, it was said that any such form of credit control would involve some "super agency" which would override the bank supervisory authorities, or the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the state bank supervisors.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Who has bills?—After withholding and deductions, all I need is a change purse!"

Business Man's Bookshelf

Tax Savings in Real Estate Transactions—Bureau of Analysis, Davenport, Iowa—cloth—$5.00 (10 days' free examination).

Year Book and Guide to East Africa, with atlas and folding map—H. W. Wilson Company, 950 University Avenue, New York 52, N. Y.—cloth—$3.00.

Year Book and Guide to Southern Africa, with atlas and folding map—H. W. Wilson Company, 950 University Avenue, New York 52, N. Y.